EXHIBIT 1

Probusinessbank Group

Consolidated Financial Statements
for the Year Ended 31 December 2013

PROBUSINESSBANK GROUP

CONTENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Probusinessbank and its subsidiaries ("the Probusinessbank Group", "the Group") as at 31 December 2013, and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with Russian Federation legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2013 were approved by the Management Board on 31 March 2014.

On behalf of the Management:

A.V. Lomov Deputy Chairman of the Management Board	L.E. Alkhovaya Chief Accountant

31 March 2014

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To shareholders and Board of Directors of the Joint Stock Commercial Bank "Probusinessbank" (Open Joint Stock Company):

We have audited the accompanying consolidated financial statements of OJSC Probusinessbank and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statements of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

31 March 2014
Moscow, Russian Federation

Neklyudov S.V., Partner
(license no. 01-000196 dated November 28, 2011)

ZAO "Deloitte & Touche CIS"

The Entity: OJSC "Probusinessbank"

Certificate of state registration № 2412 dated 28.01.1998.

Certificate of registration in the Unified State Register № 1027700508978 of 09.12.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 50.

Address: 119285, Russia, Moscow, Pudovkina street, 3

Independent Auditor: ZAO "Deloitte & Touche CIS"

Certificate of state registration № 018.482, issued by the Moscow Registration Chamber on 30.10.1992.

Certificate of registration in the Unified State Register № 1027700425444 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Certificate of membership in «NP «Audit Chamber of Russia» (auditors' SRO) of 20.05.2009 № 3026, ORNZ 10201017407.

PROBUSINESSBANK GROUP

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 RUR'000	2012 RUR'000
Interest income	5	24,405,311	21,161,918
Interest expense	5	(9,420,213)	(8,345,007)
Net interest income		**14,985,098**	**12,816,911**
Fee and commission income	6	5,362,243	4,175,183
Fee and commission expense	7	(548,006)	(487,839)
Net fee and commission income		**4,814,237**	**3,687,344**
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	8	(2,046,253)	1,715,068
Net foreign exchange gain	9	2,452,415	534,005
Net realized (loss)/gain on available-for-sale securities		(910)	401
Other operating income	10	1,069,440	719,380
Other operating loss	11	(715,728)	-
Operating income before provision for impairment losses		**20,558,299**	**19,473,109**
Impairment losses	12	(4,747,407)	(2,884,971)
Impairment of goodwill and development property to net realizable value	20	-	(683,333)
(Loss)/gain on change in fair value of investment property	21	(129,468)	49,746
General administrative expenses	13	(14,141,992)	(13,167,161)
Profit before tax		**1,539,432**	**2,787,390**
Income tax expense	14	(388,947)	(872,064)
Total profit for the period from continuing operations		1,150,485	1,915,326
Discontinued operations:			
Profit for the period from discontinued operations	23	**1,051,146**	**591,918**
Profit for the period		**2,201,631**	**2,507,244**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale securities, net of tax		(237)	(1,983)
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of property and equipment, net of tax		162,726	83,343
Other comprehensive income		**162,489**	**81,360**
Total comprehensive income		**2,364,120**	**2,588,604**
Profit attributable to:			
Equity holders of the Bank		2,150,662	2,488,112
Non-controlling interest		50,969	19,132
Profit for the year		**2,201,631**	**2,507,244**
Total comprehensive income attributable to:			
Equity holders of the Bank		2,313,151	2,569,472
Non-controlling interest		50,969	19,132
Total comprehensive income for the year		**2,364,120**	**2,588,604**
Earnings per share			
From continuing and discontinued operations			
Basic and diluted (RUR)	44	**625.49**	**723.64**
From continuing operations			
Basic and diluted (RUR)	44	**334.61**	**557.05**

A.V. Lomov
Deputy Chairman of the Management Board

L.E. Alkhovaya
Chief Accountant

The notes on pages 10-103 form an integral part of the consolidated financial statements.

PROBUSINESSBANK GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Notes	2013 RUR'000	2012 RUR'000
ASSETS			
Cash		6,267,061	5,629,192
Due from the Central Bank of the Russian Federation		5,082,347	22,096,317
Mandatory cash balances with the Central Bank of the Russian Federation		1,268,350	1,489,138
Placements with banks and other financial institutions	15	19,605,045	14,574,770
Financial instruments at fair value through profit or loss	16	40,627,977	26,020,250
Amounts receivable under reverse repurchase agreements		6,440	-
Loans to customers	17	59,539,207	67,164,395
Held-to-maturity investments	18	1,498,474	-
Available-for-sale securities		105,076	101,779
Property, equipment and intangible assets	19	4,431,803	4,197,252
Development property	20	2,650,974	6,717,863
Investment property	21	1,224,473	2,648,867
Goodwill		252,676	252,676
Current income tax asset		79,668	-
Deferred tax asset	14	1,181,406	883,937
Other assets	22	1,029,896	1,178,173
		144,850,873	152,954,609
Assets of discontinued operations classified as held for sale	23	26,754,763	25,712,665
Total assets		**171,605,636**	**178,667,274**
LIABILITIES			
Financial liabilities at fair value through profit or loss	16	1,374,568	22,106
Deposits and balances from banks and other financial institutions	24	8,119,059	8,518,421
Amounts payable under repurchase agreements	25	1,883,065	3,529,814
Current accounts and deposits from customers	26	110,582,224	117,327,584
Debt securities issued	27	5,506,989	7,852,875
Other borrowed funds	28	1,785,462	2,120,851
Subordinated debt	29	2,361,404	2,227,444
Current income tax liability		-	100,226
Other liabilities	30	1,854,828	2,804,589
		133,467,599	144,503,910
Liabilities associated with assets of discontinued operations classified as held for sale	23	20,780,828	19,113,819
Total liabilities		**154,248,427**	**163,617,729**
EQUITY			
Share capital		4,417,399	4,417,399
Share premium		1,237,031	1,237,031
Additional paid-in capital		521,580	592,200
Revaluation surplus for property and equipment		855,001	728,217
Revaluation reserve for available-for-sale securities		(617)	(977)
Retained earnings		10,253,091	7,996,849
Total equity attributable to equity holders of the Bank		**17,283,485**	**14,970,719**
Non-controlling interest		73,724	78,826
Total equity		**17,357,209**	**15,049,545**
Total liabilities and equity		**171,605,636**	**178,667,274**

The notes on pages 10-103 form an integral part of the consolidated financial statements.

PROBUSINESSBANK GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 RUR'000	2012 RUR'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax		3,037,930	3,576,729
Adjustments for:			
Net interest income		(20,652,551)	(17,792,143)
Impairment losses		6,447,545	4,438,745
Write off of goodwill and development property to net realizable value		-	683,333
Unrealized loss/(gain) on financial assets and liabilities held for trading		711,151	(884,594)
Depreciation/amortization of property and equipment and intangible assets		987,790	831,479
Loss on disposal of property and equipment and intangible assets		167,576	46,198
Loss on disposal of investment property		197,228	-
Loss/(gain) on disposal of development property		144,560	(12,239)
Changes in other accruals		166,308	56,110
Change in fair value of investment property		129,468	(49,746)
Unrealised foreign exchange gain		(970,171)	(469,238)
Net cash outflow from operating activities before changes in operating assets and liabilities		**(9,633,166)**	**(9,575,366)**
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Mandatory cash balances with the Central Bank of the Russian Federation		218,385	(273,796)
Placements with banks and other financial institutions		(691,105)	522,483
Financial assets at fair value through profit or loss		(12,911,844)	1,930,897
Amounts receivable under reverse repurchase agreements		(6,715)	741,346
Loans to customers		5,524,091	(22,051,528)
Other assets		127,968	80,101
Increase/(decrease) in operating liabilities:			
Financial liabilities at fair value through profit or loss		1,297,244	(263,508)
Deposits and balances from banks and other financial institutions		(1,539,846)	335,500
Amounts payable under repurchase agreements		(1,576,456)	(683,428)
Current accounts and deposits from customers		(7,087,063)	30,669,512
Other liabilities		392	214,166
Cash (outflow)/inflow from operating activities before interest and taxes paid		**(26,278,115)**	**1,646,379**
Interest received		29,697,947	25,911,415
Interest paid		(9,886,795)	(8,747,618)
Income tax paid		(1,077,293)	(1,070,509)
Net cash (outflow)/inflow from operating activities		**(7,544,256)**	**17,739,667**

The notes on pages 10-103 form an integral part of the consolidated financial statements.

PROBUSINESSBANK GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 RUR'000	2012 RUR'000
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property and equipment and intangible assets		(1,107,459)	(1,496,286)
Proceeds on disposal of property and equipment and intangible assets		160,924	108,171
Acquisition of investment property		-	(626)
Proceeds on disposal of investment property		1,235,024	202,910
Acquisition of development property		-	(1,054,093)
Proceeds on disposal of development property		3,685,017	671,094
Acquisition of of held-to-maturity investments		(1,498,474)	-
Proceeds from disposal of available-for-sale securities		1,269	10,845
Net cash inflow/ (outflow) from investing activities		**2,476,301**	**(1,557,985)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid		(3,462)	(383)
Proceeds from debt securities issued		2,857,401	3,028,820
Repayment of debt securities		(5,052,380)	(4,209,168)
Proceeds from subordinated debt received		-	672,565
Repayment of subordinated debt		(233,646)	(14,773)
Repayment of other borrowed funds		(578,508)	(1,228,162)
Proceeds from other borrowed funds		494,517	-
Net cash outflow from financing activities		**(2,516,078)**	**(1,751,101)**
Net (descrease)/ increase in cash and cash equivalents		**(7,584,033)**	**14,430,581**
Effect of changes in foreign exchange rate on cash and cash equivalents		(325,606)	(88,692)
Cash and cash equivalents at the beginning of the year	38	45,610,954	31,269,065
Cash and cash equivalents at the end of the year	38	**37,701,315**	**45,610,954**

The notes on pages 10-103 form an integral part of the consolidated financial statements.

PROBUSINESSBANK GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Attributable to equity holders of the Bank								
	Share capital RUR'000	Share premium RUR'000	Additional paid-in capital RUR'000	Revaluation surplus for property and equipment RUR'000	Revaluation reserve for available-for-sale securities RUR'000	Retained earnings RUR'000	Total RUR'000	Non-controlling interest RUR'000	Total equity RUR'000
Balance as at 1 January 2012	**4,417,399**	**1,237,031**	**592,200**	**946,959**	**1,006**	**5,207,035**	**12,401,630**	**59,694**	**12,461,324**
Total comprehensive income									
Profit for the year	-	-	-	-	-	2,488,112	2,488,112	19,132	2,507,244
Other comprehensive income									
Net unrealized losses on investments available-for-sale, net of deferred tax of RUR 496 thousand	-	-	-	-	(1,983)	-	(1,983)	-	(1,983)
Revaluation of property and equipment, net of deferred tax of RUR 20,836 thousand	-	-	-	83,343	-	-	83,343	-	83,343
Total other comprehensive income	-	-	-	83,343	(1,983)	-	81,360	-	81,360
Total comprehensive income	**-**	**-**	**-**	**83,343**	**(1,983)**	**2,488,112**	**2,569,472**	**19,132**	**2,588,604**
Disposal of property and equipment revalued in prior periods, net of deferred tax of RUR 65,523 thousand	-	-	-	(262,093)	-	262,093	-		-
Transfer of property and equipment to investment property, net of deferred tax of RUR 9,998 thousand	-	-	-	(39,992)	-	39,992			
Dividends paid (Note 31)	-	-	-	-	-	(383)	(383)	-	(383)
Balance as at 31 December 2012	**4,417,399**	**1,237,031**	**592,200**	**728,217**	**(977)**	**7,996,849**	**14,970,719**	**78,826**	**15,049,545**

The notes on pages 10-103 form an integral part of the consolidated financial statements.

PROBUSINESSBANK GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

	Attributable to equity holders of the Bank								
	Share capital RUR'000	Share premium RUR'000	Additional paid-in capital RUR'000	Revaluation surplus for property and equipment RUR'000	Revaluation reserve for available-for-sale securities RUR'000	Retained earnings RUR'000	Total RUR'000	Non-controlling interest RUR'000	Total equity RUR'000
Balance as at 1 January 2013	**4,417,399**	**1,237,031**	**592,200**	**728,217**	**(977)**	**7,996,849**	**14,970,719**	**78,826**	**15,049,545**
Total comprehensive income									
Profit for the year	-	-	-	-	-	2,150,662	2,150,662	50,969	2,201,631
Other comprehensive income									
Net unrealized losses on investments available-for-sale, net of deferred tax of RUR 59 thousand	-	-	-	-	(237)	-	(237)	-	(237)
Revaluation of property and equipment, net of deferred tax of RUR 40,681 thousand	-	-	-	162,726	-	-	162,726	-	162,726
Total other comprehensive income	-	-	-	162,726	(237)	-	162,489	-	162,489
Total comprehensive income	-	-	-	**162,726**	**(237)**	**2,150,662**	**2,313,151**	**50,969**	**2,364,120**
Disposal of property and equipment revalued in prior periods, net of deferred tax of RUR 8,985 thousand	-	-	-	(35,942)	-	35,942	-	-	-
Disposal of investments available-for-sale revalued in prior periods, net of deferred tax of RUR 149 thousand	-	-	-	-	597	(597)	-	-	-
Change in non-controlling interest of a subsidiary	-	-	-	-	-	-	-	(52,994)	(52,994)
Redemption of subordinated debt	-	-	(70,620)	-	-	70,620	-	-	-
Dividends paid (Note 31)	-	-	-	-	-	(385)	(385)	(3,077)	(3,462)
Balance as at 31 December 2013	**4,417,399**	**1,237,031**	**521,580**	**855,001**	**(617)**	**10,253,091**	**17,283,485**	**73,724**	**17,357,209**

The notes on pages 10-103 form an integral part of the consolidated financial statements.

1. BACKGROUND

Principal activities

These consolidated financial statements include the financial statements of OJSC "Probusinessbank" ("the Bank") and its subsidiaries (together referred to as "the Group").

The Bank, the parent company of the Group, was established in the Russian Federation in 1993. In 1994 the Bank was reorganised into a commercial bank (Limited Liability Company) and in 1998 the Bank changed its legal form to an Open Joint-Stock Company. The Bank operates under general banking license № 2412 issued by the Central Bank of the Russian Federation ("the CBRF") and provides a full range of banking services to corporate clients, including public, private, state-owned and other companies operating in various industries, as well as to individuals. In addition to the general banking license, the Bank holds licenses for depositary activities, securities management, broker, dealer activity, intermediary for dealing in futures and options in the stock exchange, non-governmental pension funds assets management, precious metal transactions, and a right to act as a guarantor in relations with customs authorities. The Bank is a member of the following financial associations and organizations: Moscow Interbank Currency Exchange- RTS, Association of Russian Banks, Society for Worldwide Interbank Financial Telecommunication ("SWIFT"), International Retail Banking Council ("IRBC"), American Chamber of Commerce in Moscow, and the following communication systems: REUTERS, TELEX, SPRINT, TIMELINK. The Bank is a Principal member of Master Card International and Europay VISA International. The Bank is a member of the state deposit insurance system in the Russian Federation.

The registered address of the Bank is: 3, Pudovkina st., Moscow, 119285, Russian Federation.

The majority of the Bank's assets and liabilities are located in the Russian Federation. The average number of people employed by the Bank during the year was 5,216 (2012: 5,231).

The Bank is a parent company of the banking group which consists of the following companies consolidated for the purposes of these consolidated financial statements as at 31 December 2013 and 2012:

Name	Country of incorporation	Interest/voting rights, % as at 31 December 2013	Interest/ voting rights, % as at 31 December 2012	Type of activity
OJSC VUZ-Bank	Russian Federation	100.00%	100.00%	Commercial Bank
CJSC CB Express-Volga	Russian Federation	98.75%	98.75%	Commercial Bank
CJSC National Savings Bank (formally – LLC Ivanovsky Oblastnoy Bank)	Russian Federation	100.00%	100.00%	Commercial Bank
OJSC Gazenergobank	Russian Federation	99.99%	99.99%	Commercial Bank
OJSC Bank 24. RU	Russian Federation	98.76%	98.76%	Commercial Bank
OJSC Bank Poidem! (formally Investment City Bank)	Russian Federation	100.00%	97.10%	Commercial Bank
LLC FC "Life"	Russian Federation	100.00%	100.00%	Factoring company
"Probusiness-Development" LLC	Russian Federation	100.00%	100.00%	Development company
LLC Development Plus	Russian Federation	100.00%	100.00%	Property company
CMIF "Stroitelnaya Iniciativa"	Russian Federation	100.00%	100.00%	Investment fund
CMIF "Business Nedvijimost"	Russian Federation	-	100.00%	Investment fund
CMIF "Business Estate"	Russian Federation	100.00%	100.00%	Investment fund
CMIF "DOM"	Russian Federation	100.00%	100.00%	Investment fund
CMIF "Perspectivnaya Nedvijimost"	Russian Federation	100.00%	100.00%	Investment fund

The average number of people employed by the Group during the year was 14,019 (2012: 14,487).

On 31 March 2003, the Bank acquired a 94.5% interest in OJSC VUZ-Bank. The Bank's acquisition of VUZ-Bank's additional share issue in June 2007 resulted in increasing the Bank's interest to 98.43%. In October 2007 the Bank's interest in the share capital of VUZ-Bank reached 100%.

VUZ-Bank was incorporated as a limited liability company under the legislation of the Russian Federation on 5 September 1991 and changed its legal form to an open joint-stock company on 6 September 1999. Its registered office is located at the following address: 31-b Malysheva st., 11 Bankovsky per., Ekaterinburg, Russian Federation. VUZ-Bank's activities are regulated by the CBRF and general banking licence No. 1557. VUZ-Bank is an associated member of Visa International Service Association, affiliate member of MasterCard International Incorporated and member of the Urals Bank Union. VUZ-Bank is a member of the state deposit insurance system since 23 December 2004. The average number of people employed by VUZ-Bank during the year was 1,297 (2012: 1,406).

On 29 December 2003, the Bank entered into an agreement with the shareholders of CJSC Express-Volga ("Express-Volga Bank") to acquire the majority interest in Express-Volga Bank. Starting from 6 February to 10 February 2004, the Bank has become a registered owner of 57.92% of the share capital of Express-Volga Bank and, additionally, on 19 April 2004 the Bank acquired another 1.03% of the bank's share capital. In May 2005, the Bank additionally acquired 27.33% of the share capital of Express-Volga Bank. In March 2007 the Bank additionally acquired 116,382 ordinary registered shares (12.03% of share capital) of Express-Volga Bank. The Bank's interest in the share capital of Express-Volga Bank amounted to 98.31%. The Bank's acquisition of additional issue of the Bank's ordinary registered shares in June 2007 resulted in the growth of its interest in Express-Volga's share capital to 98.75%.

Express-Volga Bank was incorporated as a Closed Joint-Stock Company under the legislation of the Russian Federation on 6 September 1994. Its registered office's address is: 166/168 Michurina st. Saratov, Russian Federation. Express-Volga Bank's activities are regulated by the CBRF general banking license No. 3085 of 2 October 2002.

In addition to the license for banking operations in Russian rubles and foreign currencies Express-Volga Bank has a license that allows it to perform depository activities. Express-Volga issues Union Card and Visa plastic cards and also services international plastic cards Eurocard/Mastercard, Visa, Cirrus Maestro, Visa–Electron Plus. Express-Volga is a member of the state deposit insurance system since 16 December 2004. The average number of people employed by Express-Volga Bank during the year was 2,989 (2012:3,457).

On 1 December 2006, the Bank finalised the acquisition of an interest in the share capital of LLC CB Ivanovsky Oblastnoy Bank ("Ivanovsky Oblastnoy Bank"). The Bank's interest in the share capital of Ivanovsky Oblastnoy Bank is 100%.

In 2009, in accordance with the Order No. 107/1-P "About the state registration of the new name of CJSC National Savings Bank, LLC CB Ivanovsky Oblastnoy Bank was reorganized and renamed CJSC National Savings Bank.

CJSC National Savings Bank (LLC CB Ivanovsky Oblastnoy Bank) is the successor of LLC CB Ivanovskie Sittsy established by the decision of owners on 11 May 1992 and registered by the CBRF on 7 July 1992, registration number 1949. In accordance with the CBRF license, CJSC National Savings Bank has the right to carry out operations with legal entities and individuals in Russian rubles and in foreign currencies. CJSC National Savings Bank is a member of the state deposit insurance system since 2 December 2004. The registered address of the Bank is: 2 Palekhskaya st., Ivanovo, Russian Federation, 153000. CJSC National Savings Bank has 1 additional office in Ivanovo. The average number of people employed by that bank during the year was 199 (2012: 160).

On 14 November 2008, the Bank signed a strategic partnership with OJSC "Gazenergobank" which resulted in the change of the owner of OJSC Gazenergobank.

The Bank became the owner of 19.83% of ordinary shares and 80.16% of the ordinary shares of OJSC Gazenergobank were repurchased by the senior management of the Group. As a result the Group obtained full control over OJSC Gazenergobank, and its results were consolidated into the financial statements of the Group from that date.

On 22 January 2009, all shares were transferred from senior management to the Bank and it became the owner of 99.99% of OJSC Gazenergobank shares.

OJSC Gazenergobank was incorporated as an Open Joint-Stock Company under the legislation of the Russian Federation on 19 May 1995 and is a member of the state deposit insurance system in the Russian Federation since 27 January 2005. The registered address of OJSC Gazenergobank is: 4 Plekhanova st., Kaluga, Russian Federation.

OJSC Gazenergobank issues banking cards in the payment system of MasterCard International, including MasterCard, Cirrus/Maestro, Visa (in ATMs), American Express and Diners Club banking cards. The Bank began personalization of its own banking cards in 2006 in Kaluga. Financial statements of OJSC Gazenergobank are included into the Group's consolidated financial statements from the date of acquisition (14 November 2008). The average number of people employed by the Bank during the year was 1,206 (2012: 1,068).

On 5 December 2008, the Bank together with the government-sponsored Deposits Insurance Agency (DIS) and Bank24.ru signed a general agreement No. 2008-0301/3. According to the Agreement, OJSC Probusinessbank was committed to ensure the financial improvement of OJSC Bank24.ru. The Bank became the owner of 20% of ordinary shares and 79.53% of ordinary shares of OJSC Bank24.ru were repurchased by the senior management of the Group. As a result, the Group obtained full control over OJSC Bank24.ru.

On 27 January 2009, all shares were transferred from senior management to the Bank and it became the owner of 99.53% of OJSC Bank24.ru shares. On 10 May 2011, the Bank sold 0.77% of shares to an individual and the Bank became the owner of 98.76% of OJSC Bank24.ru shares.

OJSC Bank24.ru was established in 1992. The name of OJSC Bank24.ru till 2003 was "Uralcontactbank". During 2003, as a result of changes of owners and rebranding the Bank was renamed to Bank24.ru. The registered address of OJSC Bank24.ru is: 12 Kuibysheva st., Ekaterinburg, Russian Federation, 620144. Bank24.ru has a banking license (No.2227 of 29 October 2003) to perform operations with Russian rubles and foreign currency.

On 24 February 2005, OJSC Bank24.ru became a member of the state deposit insurance system in the Russian Federation.

The financial statements of OJSC Bank24.ru are included into the Group's consolidated financial statements starting from the date of acquisition (5 December 2008).

The average number of people employed by OJSC Bank24.ru during the year was 840 (2012: 778).

The Group has decided to dispose of OJSC Bank24.ru as at the 31 December 2012. The disposal is expected to be completed in 2014, the details are presented in Note 23.

On 25 December 2009, CJSC National Savings Bank purchased 19.99% of ordinary shares of OJSC Investment City Bank. 77.11% of ordinary shares of OJSC Investment City Bank were purchased by the senior management of the Group. As a result the Group obtained full control over OJSC Investment City Bank, and its results were consolidated into the financial statements of the Group from that date. During 2013, OJSC "Probusinessbank" purchased all ordinary shares from subsidiary bank, from the senior management of the Group and from minorities and became a 100% owner of the bank.

Investment City Bank ("ICB") was incorporated in 1993 as an Opened Joint-Stock Company under the legislation of the Russian Federation as OJSC Gals-Bank. In 1997, the bank was renamed OJSC CB Gals-Bank. According to the decision of General Meeting of shareholders in 1999 the name of the bank was changed to OJSC Investment City Bank.

On 31 December 2010, OJSC Investment City Bank was renamed OJSC CB "Poidem!" and the required changes were made in the State Register of Credit Institutions of the Bank of Russia. OJSC CB "Poidem!" was issued new licenses to conduct banking operations in rubles and foreign currency, as well as to draw deposits from individuals. License numbers remain the same - 2534.

The registered adress of OJSC CB "Poidem!" is: 36/3 Kutuzovsky prospekt, Moscow, Russian Federation, 630049.

The average number of people employed by OJSC CB "Poidem!" during the year was 2,017 (2012: 2,159).

The Group has decided to dispose of OJSC CB "Poidem!" as at the 31 December 2012. The disposal is expected to be completed during 2014, details are presented in Note 23.

LLC "Development Plus" was established in 2010. The entity holds title to the office premises that are used excusively by bank "Poidem" under a lease agreement.

The registered address of LLC Development Plus is: 3, b.1, Dobrolyubova st., Moscow, Russian Federation, 127254.

The Group as at the 31 December 2012 has decided to dispose of LLC "Development Plus". The disposal is expected to be completed in 2014, details are presented in Note 23.

Closed-end Investment Fund "Perspectivnaya Nedvijimost" is engaged in real estate investment activities within the Russian Federation. The fund was established during 2009. The financial statements of fund was consolidated into the Group's financial statements beginning 31 December 2009.

The Group as at the 31 December 2012 has decided to dispose of Closed-end Investment Fund "Perspectivnaya Nedvijimost". The disposal is expected to be completed before 31 December 2013, details are presented in Note 23.

LLC FC "Life" was founded in September 2007. LLC FC "Life" focuses on financing for small and medium businesses. On 31 May 2010, OJSC "Probusinessbank" purchased 100% of the authorized share capital of LLC FC "Life".

Financial statements of "FC "Life" are included into the Group's consolidated financial statements from the date of acquisition.

The registered adress of "FC "Life" is: 6A Belomorskaya st., Moscow, Russian Federation, 125195. The average number of people employed by LLC FC "Life" during the year was 252 (2012: 228).

On 6 May 2010, OJSC "Probusinessbank" entered into a preliminary binding unconditional agreement to purchase 100% of the authorized capital of "Probusiness-Development" LLC for RUR 230,813 thousand.

"Probusiness-Development" LLC was founded in February 2007. The key area of business of "Probusiness-Development" - projects in real estate classes Business, Premium and DeLuxe. The company provides a full cycle of activities within each project - development, preparing the land for construction and sale of properties.

On 27 December 2010, OJSC "Probusinessbank" paid RUR 43,854 thousand of the purchase consideration for "Probusiness-Development".

On 3 February 2011, the Bank paid the remaining purchase consideration of RUR 186,959 thousand for "Probusiness-Development".The financial statements of "Probusiness-Development" are included into the Group's consolidated financial statements from the date of acquisition.

The registered address of "Probusiness-Development" is: 6A Belomorskaya st., Moscow, Russian Federation, 125195.

Closed-end Investment Fund "DOM" and Closed-end Investment Fund "Business Estate" are engaged in real estate investment activities within the Russian Federation. Both funds were established during 2009. The financial statements of funds were consolidated into the Group's financial statements beginning 31 December 2009.

Closed-end Investment Fund "Business Nedvijimost" (CIF "BN") and Closed-end Investment Fund "Stroitelniya Initsiativa" (CIF "SI") are engaged in real estate investment activities within the Russian Federation. The CIF "BN" and CIF "SI" were established during 2011. The financial statements of CMIF "BN" were consolidated into the Group's financial statements beginning 30 September 2011. The financial statements of CMIF "SI" were consolidated into the Group's financial statements beginning 30 September 2011.

As at 31 December 2013, the Group's network includes 6 branches, 94 additional offices, 401 credit offices, 295 operational offices, 6 cash desks and 2 representative offices. Representative offices operate in Moscow and Saratov. The Group has opened its lending and cash services offices and operation offices in Angarsk, Arkhangelsk, Alatyr, Belgorod, Briansk, Bugulma, Velikie Luki, Velikiy Novgorod, Vladivostok, Vladimir, Voronezh, Volgograd, Voljsk, Vologda, Votkinsk, Vyborg, Derbent, Dzerzhinsk, Ekaterinburg, Yelec, Izhevsk, Yoshkar-Ola, Kaliningrad, Kaluga, Kamensk-Uralskiy, Kamyshin, Kingisepp, Kirov, Kostroma, Krasnoyarsk, Kursk, Kurgan, Lipetsk, Magnitigorsk, Mariy El, Mourom, Nabregnye Chelny, Neftekamsk, Nizhny Novgorod, Nizhnevartovsk, Nijnekamsk, Novosibirsk, Omsk, Orel, Orenburg, Petrozavodsk, Pskov, Rzhev, Rybinsk, Ryazan, Rostov-on-Don, Samara, Saransk, Saratov, St. Petersburg, Smolensk, Sosnoviy Bor, Sosnogorsg, Surgut, Syktyvkar, Taganrog, Tver, Tikhvin, Tula, Ukhta, Ufa, Khanty-Mansiysk, Chita, Chelyabinsk, Cherepovets, Cheboksary, Yaroslavl, Ivanovo, Irkutsk, Perm and Tyumen regions.

Shareholders

As at 31 December 2013 and 2012, the following shareholders owned the shares of the Bank:

Shareholders of the first level	31 December 2013 %	31 December 2012 %
Alivikt Holdings Limited	52.95	-
East Capital Financial Fund AB	19.93	19.93
BlueCrest Emerging Markets Master Fund Limited	7.94	7.94
Rekha Holdings Limited	7.22	7.22
Burmash Holdings Limited	6.50	6.50
Haggard Finanacials Limited	5.46	-
LLC "Rodina"	-	5.46
LLC "Alivikt"	-	52.95
Total	**100.00**	**100.00**

Ultimate shareholders of the Bank	31 December 2013 %	31 December 2012 %
S.L. Leontiev	29.80	29.80
East Capital Financial Fund AB	19.93	19.93
E.V. Bikmaev	11.72	11.72
A.D. Zheleznyak	11.43	11.43
BlueCrest Emerging Markets Master Fund Limited	7.94	7.94
Rekha Holdings Limited	7.22	7.22
Burmash Holdings Limited	6.50	6.50
E.V. Panteleev	5.46	5.46
Total	**100.00**	**100.00**

2. BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Commitee (IFRIC).

The consolidated financial statements were authorised for issue by the Management Board on 31 March 2014.

Other basis of presentation criteria

These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future.

These consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Bank and its consolidated companies, registered in the Russian Federation, maintain their accounting records in accordance with Russian Accounting Standards (RAS). These consolidated financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.

The Group presents its statement of financial position broadly in order of liquidity, details are presented in Note 41.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the consolidated statement of profit or loss and other comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Functional and presentation currency

The national currency of the Russian Federation is the Russian rouble ("RUR"). Management has determined the Group's functional currency to be the RUR as it reflects the economic substance of the underlying events and circumstances of the Group.

The RUR is also the Group's presentation currency for the purposes of these consolidated financial statements.

Financial information presented in RUR has been rounded to the nearest thousand.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, including those involving estimations, that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of loans and receivables

The Group regularly reviews its loans and receivables to assess for impairment. The Group's loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans and receivables. The Group considers accounting estimates related to the allowance for impairment of loans and receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Group's estimated losses and actual losses would require the Group to record provisions which could have a material impact on its consolidated financial statements in future periods.

The Group uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans. The Group uses management's judgment to adjust observable data for a group of loans to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in the Russian Federation and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

As at 31 December 2013 and 2012, the gross loans and receivables totalled RUR 67,664,460 thousand and RUR 73,494,627 thousand, respectively, and allowance for impairment losses amounted to RUR 8,125,253 thousand and RUR 6,330,232 thousand, respectively.

Valuation of financial instruments

Note 39 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions. The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at the end of the reporting period was RUR 252,676 thousand. As at 31 December 2012, the Group has recognized impairment of goodwill in the amount of RUR 184,645 thousand.

Property and equipment carried at revalued amounts

Certain property (buildings) is measured at revalued amounts. The date of the latest appraisal was 31 December 2013. The next revaluation is preliminary scheduled as at 31 December 2014. The carrying value of revalued property amounted to RUR 1,914,298 thousand and RUR 1,999,066 thousand as at 31 December 2013 and 2012, respectively. Refer to Note 19 for the key assumptions applied in valuation of property.

Development property

Development property is measured at net realizable value. The date of the latest appraisal was 31 December 2013. The net realizable value of development property amounted to RUR 2,650,974 thousand and RUR 6,717,863 thousand as at 31 December 2013 and 2012, respectively. As at 31 December 2012, the Group has recognized impairment of development property in the amount of RUR 498,688 thousand.

Investment property carried at revalued amounts

Land included in Investment property is measured at revalued amounts. The date of the latest appraisal was 31 December 2013. The next revaluation is preliminary scheduled as at 31 December 2014. The carrying value of revalued property amounted to RUR 1,224,473 thousand and RUR 2,648,867 thousand as at 31 December 2013 and 2012, respectively. Refer to Note 21 for the key assumptions applied in valuation of property.

Recoverability of deferred tax assets

The management of the Group decided not to recognise a valuation allowance against deferred tax assets as at 31 December 2013. However as at 31 December 2012 they did, as it was possible that the deferred tax asset would not be fully realized, details are presented in Note 14. The carrying value of deferred tax assets amounted to RUR 1,181,406 thousand and RUR 883,937 thousand as at 31 December 2013 and 2012, respectively.

3. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been applied in the preparation of the consolidated financial statements. The accounting policies have been consistently applied. Changes in accounting policies are described at the end of this Note.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank and its subsidiaries. Control is achieved when the Bank:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- The size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Bank, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in the statement of comprehensive income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss.

Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Acquisition of companies under common control

The acquisition of controlling interests in entities under common control of the Group's shareholders is reported in the Group's financial statements as at the date of transfer of control to the Group. The acquired assets and liabilities are recognised at the previous carrying amount, at which they were recognised in the separate financial statements of the acquiree. The difference between the net assets acquired and consideration paid for the companies is taken directly to the Group's equity.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associated undertaking at the date of acquisition. Goodwill on acquisitions of subsidiaries is shown separately on the statement of financial position.

Goodwill is allocated to cash-generating units for impairment testing purposes and is stated at cost less impairment losses.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Negative goodwill arising on an acquisition is recognised immediately in profit or loss.

Non-controlling interest

Non-controling interest is that part of profit or loss, other comprehensive income and net assets, of a subsidiary attributable to interests which are not owned, directly or indirectly through subsidiaries, by the Bank.

Non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity attributable to equity holders of the Bank. Non-controlling interest in profit or loss and other comprehensive income is separately disclosed in the consolidated statement of profit or loss and other comprehensive income.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Bank.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. As at 31 December 2013, the official Central Bank of the Russian Federation ("the CBRF") foreign exchange rates used for translation of balances in foreign currencies were 32.7292 RUR/USD and 44.9699 RUR/EUR (31 December 2012: 30.3727 RUR/USD and 40.2286 RUR/EUR).

Cash and cash equivalents

Cash and cash equivalents include cash and nostro accounts with the CBRF, nostro accounts with banks, as well as placements with banks with original maturity less than 90 days, except for security deposits for operations with plastic cards and the Russian Government. For the purposes of the consolidated statement of cash flows, the minimum reserve deposit with the CBRF is not considered to be a cash equivalent due to restrictions on its withdrawability.

Mandatory cash balances with the Central Bank of the Russian Federation ("the CBRF")

Mandatory cash balances with the CBRF represent the amount of obligatory reserves deposited with the CBRF in accordance with requirements established by the CBRF. Mandatory cash balances with the CBRF are subject to restrictions on its availability, therefore for purposes of determining cash flows, the minimum reserve deposit required by the CBRF is not included as a cash equivalent. The Bank is required to maintain the minimum reserve deposit with the CBRF on a constant basis.

Financial instruments

The Group recognizes financial assets and liabilities in its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- Acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- Derivative financial instruments(except for derivative financial instruments that are designated and effective hedging instruments); or,
- Upon initial recognition, designated by the Group as at fair value through profit or loss.

The Group designates financial assets and liabilities at fair value through profit or loss where either:

- The assets or liabilities are managed and evaluated on a fair value basis;
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that:

- The Group intends to sell immediately or in the near term;
- The Group upon initial recognition designates as at fair value through profit or loss;
- The Group upon initial recognition designates as available-for-sale; or
- The Group may not recover substantially all of its initial investment, other than because of credit deterioration.

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Held to maturity investments are measured at amortised cost using the effective interest method less any impairment.

If the Group were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Group would be prohibited from classifying any financial asset as held to maturity during the current financial year and following two financial years.

Available-for-sale securities are those financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

Management determines the appropriate classification of financial instruments at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of the fair value through profit or loss category. Financial assets that would have met the definition of loan and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeble future or until maturity. Other financial instruments may be reclassified out of the at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

Financial liabilities and equity instruments issued

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that has a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in Note 39.

Other financial liabilities

Other financial liabilities, including depository instruments with the CBRF, deposits by banks and customers, debt securities issued, other borrowed funds and other liabilities, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- Loans and receivables which are measured at amortized cost using the effective interest method;
- Held-to-maturity investments which are measured at amortized cost using the effective interest method; and
- Investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured which are measured at cost, less impairment.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortized cost. Amortized cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument. Where a valuation based on observable market data indicates a fair value gain or loss on initial recognition of an asset or liability, the gain or loss is recognised immediately in profit or loss. Where an initial gain or loss is not based entirely on observable market data, it is deferred and recognised over the life of the asset or liability on an appropriate basis, or when prices become observable, or on disposal of the asset or liability.

Fair value measurement principles

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognized as follows:

- A gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in profit or loss
- A gain or loss on an available-for-sale securities is recognized as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognized, at which time the cumulative gain or loss previously recognised in equity is recognized in profit or loss. Interest in relation to available-for-sale securities is recognized as earned in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the statement of financial position.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions as the Group retains all or substantially all the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the consolidated statement of financial position and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase prices represents interest expense and is recognized in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions. The difference between the purchase and resale prices represents interest income and is recognized in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

Derivative financial instruments

The Group uses derivative financial instruments to manage currency risk and liquidity risk for the purposes of trading. Derivative financial instruments include forward and future contracts on operations with foreign exchange and securities.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in profit or loss.

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Group.

Forwards and futures

Forward and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements. The main differences in the risk associated with forward and futures contracts are credit risk and liquidity risk.

The Group has credit exposure to the counterparties of forward contracts. The credit risk related to future contracts is considered minimal because the cash margin requirements of the exchange helps ensure that these contracts are always honoured. Forward contracts are settled gross and are, therefore, considered to bear a higher liquidity risk than the futures contracts which are settled on a net basis. Both types of contracts result in market risk exposure.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Group with other financial institutions in which the bank either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period. The Group purchases and sells options through regulated exchanges and in the over-the-counter markets.

Options purchased by the Bank provide the Group with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option. The Group is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Options written by the Group provide the purchaser the opportunity to purchase from or sell to the bank the underlying asset at an agreed-upon value either on or before the expiration of the option.

Although the Group trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Property and equipment

Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, except for buildings which are stated at revalued amounts as described below.

Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognised net within other income in profit or loss.

Subsequent costs

The cost of replacing a part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Equipment acquired by way of finance lease is stated at the amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Revaluation

Land and buildings are subject to revaluation on a regular basis. The frequency of revaluation depends on the movements in the fair values of the land and buildings being revalued. A revaluation increase on an item of land and building is recognised as other comprehensive income directly in equity except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. A revaluation decrease on an item of land or buildings is recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised as other comprehensive income directly in equity, in which case it is recognised directly in equity.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

Buildings	50 years
Equipment	3 to 5 years
Fixtures and fittings	4 to 5 years
Motor vehicles	4 to 5 years

Depreciation methods, useful lives and residual values are revised at each financial year end and adjusted if appropriate.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

Licences	5 to 10 years
Purchased and developed software	5 years

Amortisation methods useful lives and residual values are revised at each financial year end and adjusted if appropriate.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Development Property

Development Property is initially stated at cost or at the fair value at acquisition date when acquired as part of a business combination and then held at the lower of this initial amount and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the Development Property to its present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Land is recognised in inventory when the significant risks and rewards of ownership have been transferred to the Group.

Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the normal course of business, or for the use in production or supply of goods or services or for administrative purposes. Investment property is measured at fair value with any change recognised in profit or loss.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Impairment

Identification and measurement of impairment

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is (are) impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the Group.

Financial assets carried at amortized cost

Financial assets carried at amortized cost consist principally of loans and other receivables (loans and receivables). The Group reviews its loans and receivables to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgement to estimate the amount of any impairment loss.

Collective impairment

In assessing collective impairment the Group uses statistical models of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

All impairment losses in respect of loans and receivables are recognized in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Group writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale securities that are not carried at fair value because their fair value can not be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognized in profit or loss and can not be reversed.

Available-for-sale securities

Impairment losses on available-for-sale securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

For an investment in an equity security available-for-sale, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit" or "CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which

impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Assets acquired in exchange for loans

Non-financial assets acquired in exchange for loans as part of an orderly realisation are recorded as assets held for sale and reported in 'Other assets' if the carrying amounts of the assets are recovered principally through sale, the assets are available for sale in their present condition and their sale is highly probable. The asset acquired is recorded at the lower of its fair value less costs to sell and the carrying amount of the loan (net of impairment allowance) at the date of exchange. No depreciation is charged in respect of assets held for sale. Any subsequent write-down of the acquired asset to fair value less costs to sell is recognised in the consolidated statement of profit or loss and other comprehensive income, in 'Other operating income'. Any subsequent increase in the fair value less costs to sell, to the extent this does not exceed the cumulative write-down, is also recognised in 'Other operating income', together with any realized gains or losses on disposal.

Write off of loans and advances

Loans and advances are written off against the allowance for impairment losses when deemed uncollectible. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the consolidated statement of profit or loss and other comprehensive income in the period of recovery.

Reclassification of financial assets

The Group has reclassified certain non-derivative financial assets out of held for trading (part of the FVTPL category) to AFS financial assets. Effective from July 1, 2008, the Group was permitted to reclassify, in certain circumstances, non—derivative financial assets out of the 'Held-for-trading' category and into the 'Available-for-sale', 'Loans and receivables', or 'Held-to-maturity' categories. From this date it was also permitted to reclassify, in certain circumstances, financial instruments out of the 'Available-for-sale' category and into the 'Loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortized cost. Reclassification is at the election of management, and is determined on an instrument by instrument basis.

Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

Credit related commitments

In the normal course of business, the Group enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitment are included in other liabilities.

Share capital

Share capital and share premium

Share capital comprises the nominal amount of the Group's shares fully paid by the shareholders adjusted for the effect of hyperinflation.

Share premium is the amount by which contributions to share capital exceeds the nominal value of the shares issued adjusted for the effect of hyperinflation.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

Dividend income

The ability of the Group to declare and pay dividends is subject to the rules and regulations of the Russian legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

Taxation (income tax)

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Taxation (other taxes)

The Russian Federation also has various other taxes not based on income, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated statement of profit or loss and other comprehensive income.

Retirement and other benefit obligations

In accordance with the requirements of the Russian Federation legislation, pension payments are calculated by an employer as certain percentages of salary expenses and transferred to the Pension fund of the Russian Federation, which transfers them to pension funds selected by employees.

Income and expense recognition

Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the consolidated statement of comprehensive income include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis
- Interest on available-for-sale investment securities calculated on an effective interest basis
- Fair value changes in qualifying derivatives.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net gain on financial assets and liabilities at fair value through profit or loss.

Fair value changes on other derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through profit or loss, are presented in net gain on financial assets and liabilities at fair value through profit or loss in the consolidated statement of profit or loss and other comprehensive income.

Fees and commission

Net fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period.
Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at fair value through profit or loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through profit or loss, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

Dividends

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are reflected as a component of net trading income, net income from other financial instruments at fair value through profit or loss or other operating income based on the underlying classification of the equity investment.

Revenue from disposal of development properties

Revenue comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised from the disposal of development properties in the consolidated statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the purchaser. Revenue in respect of the sale of residential properties is recognised at the fair value of the consideration received or receivable on legal completion.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Contingencies

Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Collateral

The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future customer liabilities.

Equity reserves

The reserves recorded in equity (other comprehensive income) on the Group's consolidated statement of financial position include:

- 'Revaluation surplus for property and equipment' which comprises the portion of the gain or loss on the revaluation of land and buildings;
- 'Revaluation reserve for available-for-sale securities' which comprises changes in fair value of available-for-sale investments.

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Amendments to IFRSs affecting amounts reported in the financial statements

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements.

Standards affecting the financial statements

New and revised Standards on consolidation, joint arrangements, associates and disclosures

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- IFRS 10 *Consolidated Financial statements* (see (i));
- IFRS 11 *Joint Arrangements* (see (ii));
- IFRS 12 *Disclosure of Interests in Other Entities* (see (iii));
- IFRS *13 Fair Value Measurements* (see (iv));
- *Presentation of Items of Other Comprehensive Income* (Amendments to IAS 1 *Presentation of Financial Statements*) (see (v));
- *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7) (see (vi)).

The nature and the effect of the changes are explained below.

(i) Subsidiaries, including structured entities

As a result of adoption of IFRS 10, the Group changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that is applicable to all investees, including structured entities.

In accordance with the transitional provisions of IFRS 10, the Group reassessed the control conclusion for its investees as at 1 January 2013. The Group determined that its consolidated group structure remained unchanged under IFRS 10, and as a result, the consolidated financial statements are unaffected.

Joint arrangements

As a result of adopting IFRS 11, the Group changed its accounting policy for its interest in joint arrangements. Under IFRS 11, the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements, and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

IFRS 11 does not have any impact on the Group because the Group does not have interests in joint ventures.

(ii) Disclosure of Interests in Other Entities

The new standard contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement, which expose an entity to a variability of returns from the performance of the other entity. The expanded and new disclosure requirements aim to provide information to enable users to evaluate the nature of risks associated with an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows.

The adoption of IFRS12 did not require additional disclosures from the Bank (refer to Note1 and Note 22).

(iii) Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRS requirements. In particular, it unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements and other IFRS requirements, including IFRS 7 Financial Instruments: Disclosures (see note 39).

As a result, the Group adopted a new definition of fair value. The change had no significant impact on the measurements of assets and liabilities.

(iv) Financial instruments: Disclosures – Offsetting financial assets and financial liabilities

Amendments to IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* introduced new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements.

As the Group is not setting off financial instruments in accordance with IAS 32 *Financial instruments: disclosure and presentation* and does not have relevant offsetting arrangements, the amendment does not have any impact on the consolidated financial statements of the Group.

(v) Amendments to IAS 1 Presentation of financial statements (amended June 2011).

The Group has applied the amendments to IAS 1 titled *Presentation of Items of Other Comprehensive Income* in advance of the effective date (annual periods beginning on or after 1 July 2012). The amendment increases the required level of disclosure within the statement of comprehensive income.

The impact of this amendment has been to analyse items within the statement of comprehensive income between items that will not be reclassified subsequently to profit or loss and items that will be reclassified subsequently to profit or loss in accordance with the respective IFRS standard to which the item relates. The financial statements have also been amended to analyse income tax on the same basis. The amendments have been applied retrospectively, and hence the presentation of items of comprehensive income have been restated to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 do not result in any impact on profit or loss, comprehensive income and total comprehensive income.

New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9 *Financial Instruments*
Amendments to IFRS 9 and IFRS 7 *Mandatory Effective Date of IFRS 9 and Transition Disclosures*[1]
Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities*[2]
Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*[2]
Amendments to IAS 36 *Impairment of Assets*[2]
Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*[2]
Amendments to IFRIC 21 *Levies*[2]

[1] Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. Disclose effect of changes if expected

[2] Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted. Disclose effect of changes if expected.

IFRS 9 *Financial Instruments*. IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The management of the Group anticipate that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's investments in redeemable notes that are currently classified as available-for-sale financial assets will have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

The management of the Group do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Bank is not an investment entity.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The management of the Group do not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

IFRS 14 Regulatory Deferral Accounts. IFRS 14 specifies the accounting for regulatory deferral account balances that arise from rate regulation. The Standard is available only to first-time adopters of IFRSs who recognised regulatory deferral account balances under their previous GAAP IFRS 14 permits eligible first-time adopters of IFRSs to continue their previous GAAP rate-regulated accounting policies, with limited changes. The Standard requires separate presentation of regulatory deferral account balances in the statement of financial position and of movements in those balances in the statement of profit or loss and other comprehensive income. Disclosures are required to identify the nature of, and risk associated with, the form of rate regulation. IFRS 14 is effective for an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016, with earlier application permitted.

Amendments to IAS 19 (2011) to clarify the accounting for contributions that are linked to service. The amendments to IAS 19 (2011) permit contributions that are independent of the number of years of service to be recognized as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to periods of service. Contributions linked to service are required to be attributed to periods of service either using the plan's contribution formula or on a straight-line basis. The amendments are effective from 1 July 2014, with earlier application permitted.

IFRS 9 (2013) «Financial instruments» - Hedge accounting. In November 2013, the IASB issued a new phase of IFRS 9 Financial Instruments - Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39. There have been significant changes to the types of transactions eligible for hedge accounting, specifically a broadening of the risks eligible for hedge accounting of non-financial items. Changes in the way forward contracts and derivative options are accounted for when they are in a hedge accounting relationship will reduce profit or loss volatility when compared with IAS 39. In addition, previously required effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. Disclosure requirements about an entity's risk management activities have been enhanced. The effective date of IFRS 9 is 1 January 2018.

4. ANALYSIS BY SEGMENT

At 31 December 2012, the Group's Management and the Board of Directors have approved a plan to separate its subsidiaries OJSC Bank24.ru, CJSC Bank Poidem!, LLC "Development Plus" and CMIF "Perspectivnaya Nedvijimost" into a parallel holding entity structure. The purpose of this transaction is to separate the more entreprenurial businesses, with substantially different business and risk profiles, from the Group and allow Management to concentrate on the Group's core banking business operations.

The assets and liabilities of the disposal group of subsidiaries are presented below as discontinued operations classified as held for sale.

The Group now has eight reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the CEO (Chief Operating Decision Maker) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the reportable segments:

- Retail business division (RBD). The main activities of this division are all types of lending to individuals, investments, cash transfers, maintenance of safety deposit boxes, plastic cards and credit cards.
- Corporate business division (CBD) services companies with annual revenue from US 5 million dollars to US 100 million dollars. This division implements the principle of business management by portfolios. The division is structured by client segments. Subdivisions specialize in maintenance of special groups of clients.
- Small and medium size business division (SMBD) is organized into three main subdivisions: Small-size business, Medium-size business and Leasing. The main activities of Small-size business subdivision are express loans origination and cash and settlement operations with entrepreneurs and small-size entities whose annual revenue does not exceed US 1.5 million dollars. The main activities of the Medium-size business subdivision are loan origination to entities of larger size with total number of employees about 50 and annual revenue about US 3 million dollars. Leasing subdivision maintains all types of clients: large companies, as well as small-size entities that are mainly customers in respect of express leasing and express auto leasing.
- CJSC National Savings Bank is providing loans to individuals of the budgetary sector of the economy.
- Financial division is specialized in management of investments in financial instruments such as financial assets at fair value through profit and loss and available for sale securities, cash and cash equivalents, placements and borrowings with financial institutions and manages mandatory cash balances with the CBRF.
- Property development and investment division is specialized in investments in construction and investment property.
- Discontinued operations which includes – Consumer finance and a limited number of other financial retail products ("Poidem!") is specialized in providing retail and express loans to individuals within one hour. This business unit includes LLC "Development Plus" which holds title to the premises of Poidem!. And Bank 24.ru is offering twenty-four-hour banking services to small and medium size business and individuals. This business unit includes CMIF "Perspectivnaya Nedvijimost", the entitiy which holds title to the premises of Bank 24.ru.

Information regarding the results of each segment is included below. Performance is measured based on segment profit before tax as included in the internal management reports reviewed by the CEO.

Segment profit is used to measure performance as the CEO believes that such information is the most relevant in evaluating the result of each segment.

Segment breakdown of assets and liabilities of the Group is set out below:

	2013 RUR'000	2012 RUR'000
ASSETS		
Retail business division	30,959,458	29,069,487
Corporate business division	19,077,054	24,926,215
Small and medium size business division	8,782,208	9,844,510
CJSC National Savings Bank	2,136,762	2,060,805
Financial division	70,860,660	66,183,967
Property development and investment division	3,875,447	9,366,730
Unallocated assets	5,257,734	6,684,699
	140,949,323	148,136,413
Assets of discontinued operations		
Poidem!	19,223,740	18,215,965
Bank 24.ru	11,432,573	12,314,896
Total assets	**171,605,636**	**178,667,274**
LIABILITIES		
Retail business division	63,520,196	60,192,159
Corporate business division	16,460,045	23,584,660
Small and medium size business division	19,913,423	19,093,939
CJSC National Savings Bank	1,762,094	173,184
Financial division	11,456,692	15,825,658
Property development and investment division	5,474,928	13,605,461
Unallocated liabilities	8,710,783	3,582,996
	127,298,161	136,058,057
Liabilities associated with assets of discontinued operations		
Poidem!	16,819,454	16,787,262
Bank 24.ru	10,130,812	10,772,410
Total liabilities	**154,248,427**	**163,617,729**

PROBUSINESSBANK GROUP

**NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

Segment information for the main reportable business segments of the Group for the year ended 31 December 2013 is set below:

	Continuing operations						Discontinued operations			
	Retail business division	Corporate business division	Small and medium size business division	CJSC National Savings Bank	Financial division	Property development and investment division	Poidem!	Bank 24.RU	Unallocated	Total
Interest income	14,811,770	3,170,660	3,262,512	683,957	2,275,099	201,313	5,930,737	783,214	-	31,119,262
Interest expense	(5,988,839)	(1,061,463)	(366,883)	(155,064)	(1,199,077)	(1,016,827)	(989,943)	(56,555)	-	(10,834,651)
Net revenue from other segments	3,154,317	(560,143)	(209,881)	16,019	(2,400,312)	-	-	-	-	-
Net interest income before provision for impairment	**11,977,248**	**1,549,054**	**2,685,748**	**544,912**	**(1,324,290)**	**(815,514)**	**4,940,794**	**726,659**	-	**20,284,611**
Impairment losses	(3,167,698)	(417,597)	(686,957)	(421,770)	(8,828)	(44,557)	(1,627,070)	(73,068)	-	(6,447,545)
Net interest income after provision for impairment	**8,809,550**	**1,131,457**	**1,998,791**	**123,142**	**(1,333,118)**	**(860,071)**	**3,313,724**	**653,591**	-	**13,837,066**
Non-interest income	3,251,409	1,384,123	2,071,773	107,914	(891,123)	17,045	369,368	1,293,451	-	7,603,960
Revaluation of investment property	-	-	-	-	-	(129,468)	-	-	-	(129,468)
General administrative expenses	(8,371,248)	(952,136)	(3,000,008)	(208,800)	(361,935)	(273,440)	(2,657,052)	(1,474,583)	(974,426)	(18,273,628)
Segment result	**3,689,711**	**1,563,444**	**1,070,556**	**22,256**	**(2,586,176)**	**(1,245,934)**	**1,026,040**	**472,459**	**(974,426)**	**3,037,930**

The Group operates in the Russian Federation. There is no geographical allocation of revenue and assets due to the fact that the Group operates in one country.

Segment information for the main reportable business segments of the Group for the year ended 31 December 2012 is set below:

	Continuing operations						Discontinued operations			
	Retail business division	Corporate business division	Small and medium size business division	CJSC National Savings Bank	Financial division	Property development and investment division	Poidem!	Bank 24.RU	Unallocated	Total
Interest income	11,199,535	3,989,850	2,927,845	666,131	1,322,316	58,957	5,831,427	796,178	-	26,792,239
Interest expense	(3,664,916)	(908,190)	(142,117)	(207,580)	(1,906,589)	(518,331)	(1,572,615)	(79,758)	-	(9,000,096)
Net revenue from other segments	2,603,062	(189,378)	(343,467)	(273,793)	(1,819,164)		-	-	22,740	-
Net interest income before provision for impairment	**10,137,681**	**2,892,282**	**2,442,261**	**184,758**	**(2,403,437)**	**(459,374)**	**4,258,812**	**716,420**	**22,740**	**17,792,143**
Impairment losses	(1,877,560)	(293,290)	(462,819)	(247,872)	(3,430)	(683,333)	(1,352,262)	(201,512)	-	(5,139,114)
Net interest income after provision for impairment	**8,260,121**	**2,598,992**	**1,979,442**	**(63,114)**	**(2,406,867)**	**(1,142,707)**	**2,906,550**	**514,908**	**22,740**	**12,653,029**
Non-interest income	1,834,510	1,020,975	1,230,452	131,031	2,249,474	189,756	346,485	881,112	-	7,900,831
Revaluation of investment property	-	-	-		-	49,746			-	49,746
General administrative expenses	(6,789,628)	(1,691,747)	(2,200,362)	(33,652)	(530,004)	(63,553)	(2,809,617)	(1,050,099)	(1,858,215)	(17,026,877)
Segment result	**3,305,003**	**1,928,220**	**1,009,532**	**34,265**	**(687,397)**	**(966,758)**	**443,418**	**345,921**	**(1,835,475)**	**3,576,729**

Depreciation and amortization of property, equipment and intangible assets and capital expenditures have been unallocated within the main reportable business segments of the Group. For the period ended 31 December 2013, depreciation and amortization expenses amount to RUR 846,577 thousand (31 Decemeber 2012: RUR 742,516 thousand).

5. NET INTEREST INCOME

	2013 RUR'000	2012 RUR'000
Interest income		
Loans to customers	22,258,694	19,839,602
Placements with banks and other financial institutions	251,018	415,239
Amounts receivable under reverse repurchase agreements	53,187	38,691
Held-to-maturity investments	15,375	-
Interest income on financial assets recorded at amortized cost	**22,578,274**	**20,293,532**
Financial instruments at fair value through profit or loss	1,827,037	868,386
	24,405,311	**21,161,918**
Interest expense		
Customer accounts	7,847,074	6,438,418
Debt securities issued	727,406	572,525
Deposits and balances from banks and other financial institutions	481,931	792,020
Subordinated debt	176,911	125,182
Other borrowed funds	94,592	215,749
Amount payable under repurchase agreements	92,299	201,113
Interest expense on financial liabilities recorded at amortized cost	**9,420,213**	**8,345,007**

For the year ended 31 December 2013, interest accrued on individually impaired loans to customers and placements with banks and other financial institutions amount to RUR 779,773 thousand (31 December 2012: RUR 882,078 thousand).

6. FEE AND COMMISSION INCOME

	2013 RUR'000	2012 RUR'000
Settlement fees	2,833,259	1,970,473
Cash operations fees	1,175,728	986,012
Guarantee issuance fees	687,530	748,475
Plastic card fees	224,218	157,616
Brokerage fees	115,067	42,176
Foreign exchange fees	104,599	84,607
Bank-customer services fees	89,911	61,730
Documentary operations fees	28,798	50,535
Other	103,133	73,559
	5,362,243	**4,175,183**

7. FEE AND COMMISSION EXPENSE

	2013 RUR'000	2012 RUR'000
Plastic card fees	207,278	148,167
Settlement fees	116,272	99,079
Cash operations fees	55,596	45,732
Documentary operations	43,980	58,834
Brokerage fees	34,326	33,595
Fees for guarantees received	30,356	31,882
Commissions on short term borrowings	19,919	33,009
Foreign exchange fees	10,083	11,356
Other	30,196	26,185
	548,006	**487,839**

8. NET (LOSS)/GAIN ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013 RUR'000	2012 RUR'000
Equity instruments	619,066	1,451,180
Debt instruments	(2,665,319)	263,888
	(2,046,253)	**1,715,068**

9. NET FOREIGN EXCHANGE GAIN

	2013 RUR'000	2012 RUR'000
Gain on spot transactions	1,986,530	1,029,269
Gain/(Loss) from revaluation of financial assets and liabilities	465,885	(495,264)
	2,452,415	**534,005**

10. OTHER OPERATING INCOME

	2013 RUR'000	2012 RUR'000
Agent commissions on insurance contracts	846,600	598,686
Fines/penalties received	94,462	27,753
Gain on disposal of property and equipment	32,073	57,916
Income on property lease	4,383	10,941
Write-off of accounts payable	2,777	592
Gain on disposal of development property	-	12,239
Other	89,145	11,253
	1,069,440	**719,380**

11. OTHER OPERATING EXPENSE

	2013 RUR'000	2012 RUR'000
Loss on disposal of investment property	197,228	-
Loss on disposal of development property	518,500	-
	715,728	**-**

12. IMPAIRMENT LOSSES

	2013 RUR'000	2012 RUR'000
Charge for provision for impairment		
Loans to customers	4,741,326	2,936,009
Other assets	44,647	41,529
Available-for-sale securities	8,828	-
Financial guarantees	-	30,205
Property and equipment and intangible assets	-	2,183
	4,794,801	**3,009,926**
Reversal of provision for impairment		
Property and equipment and intangible assets	(44,834)	(122,037)
Financial guarantees	(2,560)	
Available-for-sale securities	-	(2,918)
	(47,394)	**(124,955)**
Net provision for impaiment losses	**4,747,407**	**2,884,971**

13. GENERAL ADMINISTRATIVE EXPENSES

	2013 RUR'000	2012 RUR'000
Salary and bonuses	6,232,421	5,827,462
Payroll related taxes	1,529,219	1,288,732
Occupancy costs	1,275,510	1,048,635
Depreciation and amortization of property, equipment and intangible assets	846,577	742,516
Taxes other than income tax	424,615	425,934
Property and equipment maintenance	439,177	465,398
Advertising expenses	438,626	635,216
Telecommunication services	423,438	392,957
Software acquisition and support	405,698	133,038
IT, vehicle maintenance and information services	351,022	392,349
Business trip expenses	304,162	309,428
Deposit insurance system payments	321,132	274,768
Materials and office supplies	216,317	244,116
Security	130,612	100,708
Professional services	130,416	130,009
Entertainment	74,676	102,477
Insurance	41,904	28,857
Loss on disposal of property, equipment and intangible assets	25,122	99,596
Fines paid	17,751	43,274
Other	513,597	481,691
	14,141,992	**13,167,161**

14. INCOME TAX EXPENSE

	2013 RUR'000	2012 RUR'000
Current tax expense		
Current year	(718,202)	(1,131,995)
	(718,202)	**(1,131,995)**
Deferred tax expense		
Origination and reversal of temporary differences	329,255	503,415
Deferred tax asset not recognised	-	(243,484)
Total income tax expense	**(388,947)**	**(872,064)**

The applicable tax rate for current tax is 20% (2012: 20%). The Group applied 20% deferred tax rate (2012: 20%).

Reconciliation of effective tax rate:

	2013 RUR'000	%	2012 RUR'000	%
Profit before tax	1,539,432		2,787,390	
Income tax at the applicable tax rate	307,886	20%	557,478	20%
Permanent differences	94,458	6%	71,102	2%
Income tax at different tax rates	(13,397)	(1%)	-	-
Deferred tax asset not recognised	-	-	243,484	9%
	388,947	**25%**	**872,064**	**31%**

Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as at 31 December 2013 and 2012. These deferred tax assets have been recognised in these consolidated financial statements.

The future tax benefits will only be realised if profits will be available against which the unused tax losses can be utilised and there are no changes to the law and regulations that adversely affect the Group's ability to claim the deductions in future periods.

These deductible temporary differences, which have no expiry dates, are listed below at their tax effected accumulated values:

RUR'000	Balance 1 January 2013	Recognised in profit for the period from continued operations	Recognised in equity	Balance 31 December 2013
Placements with banks and other financial institutions	(8,008)	26,113	-	18,105
Financial instruments at fair value through profit or loss (assets)	214,915	6,212	-	221,127
Loans to customers	323,817	62,846	-	386,663
Available-for-sale securities	245	-	(90)	155
Property and equipment and intangible assets	(178,084)	84,970	(31,696)	(124,810)
Investment property	31,524	35,500	-	67,024
Other assets	182,691	18,381	-	201,072
Financial instruments at fair value through profit or loss (liabilities)	19,051	8,192	-	27,243
Deposits and balances from banks and other financial institutions	2	-	-	2
Current accounts and deposits from customers	2,442	6,648	-	9,090
Debt securities in issue	(5,614)	13,437	-	7,823
Other borrowed funds	(7,801)	2,398	-	(5,403)
Other liabilities	308,757	64,558	-	373,315
	883,937	**329,255**	**(31,786)**	**1,181,406**

RUR'000	Balance 1 January 2012	Recognised in profit for the period from continued operations	Change in deferred tax asset not recognised	Recognised in profit for the period from discontinued operations	Recognised in equity	Transfers to assets of discontinued operations classified as held for sale	Balance 31 December 2012
Placements with banks and other financial institutions	18,170	(26,178)	-	(18,000)	-	18,000	(8,008)
Financial instruments at fair value through profit or loss (assets)	217,285	9,284	-	(2,523)	-	(9,131)	214,915
Loans to customers	186,289	251,053	-	32,693		(146,218)	323,817
Available-for-sale securities	(251)	-	-	-	496	-	245
Property and equipment and intangible assets	(276,462)	(48,433)	-	15,317	54,685	76,809	(178,084)
Investment property	11,251	18,910	-	(7,295)	-	8,658	31,524
Development property	31,429	166,904	(198,333)	-	-	-	-
Other assets	136,034	100,544	(45,151)	32,176	-	(40,912)	182,691
Financial instruments at fair value through profit or loss (liabilities)	24,636	(5,585)	-	-	-		19,051
Deposits and balances from banks and other financial institutions	(47)	49	-	-	-	-	2
Current accounts and deposits from customers	2,060	382	-	(215)	-	215	2,442
Debt securities in issue	(12,020)	6,406	-	-	-	-	(5,614)
Other borrowed funds	(10,251)	2,450	-	-	-	-	(7,801)
Other liabilities	330,312	27,629	-	(10,195)	-	(38,989)	308,757
	658,435	503,415	(243,484)	41,958	55,181	(131,568)	883,937

Income tax recognised in other comprehensive income

The tax effects relating to components of other comprehensive income comprise:

RUR'000	2013			2012		
	Amount before tax	Tax expense	Amount net-of-tax	Amount before tax	Tax expense	Amount net-of-tax
Net change in fair value of available-for-sale securities	(296)	59	(237)	(2,479)	496	(1,983)
Disposal of available-for-sale securities revalued in prior periods	746	(149)	597	-	-	-
Revaluation of property and equipment	203,407	(40,681)	162,726	104,179	(20,836)	83,343
Disposal of property and equipment revalued in prior periods	(44,927)	8,985	(35,942)	(327,616)	65,523	(262,093)
Transfer of property and equipment to investment property	-	-	-	(49,990)	9,998	(39,992)
Other comprehensive income	158,930	(31,786)	127,144	(275,906)	55,181	(220,725)

15. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2013 RUR'000	2012 RUR'000
NOT IMPAIRED OR PAST DUE		
Nostro accounts		
Rated from AA- to AA+	366,225	1,238,408
Rated A- to A+	1,800,725	2,152,405
Rated BBB	1,252,331	2,474
Rated from BB- to BB+	58,120	-
Rated below B+	-	1,600
Not rated	11,214,091	6,754,036
Total nostro accounts	**14,691,492**	**10,148,923**
Loans and deposits		
Rated from AA- to AA+	1,636,460	1,521,336
Rated BBB	2,157,070	2,896,180
Rated below B+	15,000	-
Not rated	1,105,023	8,331
Total loans and deposits	**4,913,553**	**4,425,847**
IMPAIRED OR PAST DUE		
Loans to banks	851	851
Provision for impairment	(851)	(851)
Net impaired loans to Russian banks	**-**	**-**
	19,605,045	**14,574,770**

As at 31 December 2013, impaired placements with banks and other financial institutions comprise placements with banks and other financial institutions overdue for more than 1 year amounted to RUR 851 thousand (31 December 2012: RUR 851 thousand).

As at 31 December 2013 and 2012, included in balances due from banks are guarantee deposits placed by the Group for its operations with credit cards totaling RUR 371,461 thousand and RUR 255,861 thousand, respectively.

Not rated placements with banks and other financial institutions are not considered for credit risk by the risk management of the Group as such financial institutions have low credit risk with no past due history and well performing businesses.

Concentration of placements with banks

As at 31 December 2013 and 2012, the Group had two counterparties, whose balances individually exceeded 10% of the Group's equity. The gross value of these balances as at 31 December 2013 and 2012 were RUR 2,949,386 thousand and RUR 1,521,336 thousand, respectively.

Analysis of movements in the impairment allowance

	2013 RUR'000	2012 RUR'000
Balance at the beginning of the year	851	90,851
Recovery of allowance	-	90,000
Transfer to profit for the period from discontinued operations	-	(90,000)
Balance at the end of the year	**851**	**851**

16. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013 RUR'000	2012 RUR'000
ASSETS		
Debt and other fixed-income instruments		
Government and municipal bonds		
Ministry of Finance RF OFZ-26206	5,331,460	2,288,341
External bonds of of Russian Federation RF-30	5,310,365	7,120,117
Ministry of Finance RF OFZ-25080	5,255,308	1,409,298
Ministry of Finance RF OFZ-25076	2,839,673	1,541,865
External bonds of Russian Federation RF-2018-2	2,577,513	-
External bonds of Russian Federation RF-28	2,407,760	1,789,164
Ministry of Finance RF OFZ-26207	1,364,824	1,158,466
Ministry of Finance RF OFZ-26209	1,210,435	676,823
Ministry of Finance RF OFZ-26208	1,207,368	-
External bonds of Russian Federation RF-22	1,022,075	-
Ministry of Finance RF OFZ-25079	964,896	-
External bonds of Russian Federation RF-42	957,345	174,932
Ministry of Finance RF OFZ-46017	803,650	-
Ministry of Finance RF OFZ-26205	703,735	160,224
Ministry of Finance RF OFZ-26210	621,428	203,348
USDPE 2015-08 United States Department of the Treasury eurobonds	527,666	-
Ministry of Finance RF OFZ-46021	429,283	-
Ministry of Finance RF OFZ-26210	420,708	-
USDPE 2015-03 United States Department of the Treasury eurobonds	295,088	-
Government bonds of Sverdlov region	1	50,305
Ministry of Finance RF OFZ-46018	-	2,655,437
Ministry of Finance RF OFZ-46023	-	1,335,102
Ministry of Finance RF OFZ-25071	-	239,239
USDPE 2042-1 United States Department of the Treasury eurobonds		314,114
Ministry of Finance RF OFZ-25077	-	159,183
Municipal bonds of Samara region 35007	-	70,005
Total government and municipal bonds	**34,250,581**	**21,345,963**
Debt securities of companies and banks		
GBP Eurobond Finance GBPEE-2017	972,134	-
VTB Capital Plc VTBCE-2022 Eurobonds	911,433	-
SB Capital SA SBCLE-2022 Eurobonds	638,806	-
VEB Finance Plc VEBFE-2022 Eurobonds	414,433	-
Federal Grid Finance Ltd bonds FGFLE-2019	406,477	-
AHML Finance Limited Eurobonds AHMLE-2018	382,665	-
INTER AMERICAN DEVELOPMENT BANK Eurobonds IADBE-2018	247,269	-
KREDITANSTALT FUR WIEDERAUFBAU Eurobonds KRFWE-2019	223,966	-
NV BANK NEDERLANDSE GEMEENTEN Eurobonds BNGBE-2023	219,071	-
Asian Development Bank Eurobonds ASINE-2019	162,635	-
BANQUE EUROPEENNE D'INVESTISSEMENT-BEI/EIB EIBEE-2015	133,571	-
BANQUE EUROPEENNE D'INVESTISSEMENT-BEI/EIB EIBEE-2020	116,805	-
AICB "Tatfondbank" BO-issue 4	-	317,855
OJSC "MDM Bank" (URSA) issue 8	-	219,833
Vnesheconombank issue 8	-	188,187
Compagnie de Financement Foncier Ciefe 2012	-	183,806
Banque Europeennee D'investissement-BEI/EIB EIBEE-2016	-	124,543
ACB "Rossiyskiy Capital" (OJSC) issue 3	-	101,683
"NOMOS BANK" OJSC BO issue 3	-	93,321
Vnesheconombank issue 21	-	87,299
"NOTA-BANK" (OJSC) issue 1	-	51,980
AICB "Tatfondbank" BO-issue 3	-	50,562
Other	3	4
Total debt securities of companies and banks	**4,829,268**	**1,419,073**

	2013 RUR'000	2012 RUR'000
Equity securities		
Apple Inc.	1,308,953	-
OJSC RN Holding (TNK PB Holding)	19,817	-
Mobilniye telesistemy	4,946	-
Cherepovetskiy MK Severstal	4,313	-
OJSC Sberbank RF	41	1,223,145
OJSC "Bank VTB"	10	3,483
NOVATEK JSC (GDR) DEUTSCHE BANK TRUST COMPANY AMERICAS	-	1,181,875
OJSC "Rosneft"	-	512,625
ROSNEFT OJSC (GDR) JPMORGAN CHASE BANK, N.A.	-	268,798
OJSC "Rostelecom"	-	9,828
Anadarko Petroleum Corp	-	1,723
PRUDENTIAL FINANCIAL	-	1,594
CenturyLink Inc	-	820
BROADCOM CORP	-	750
DONNELLEY RR STK	-	593
CAMERON INTERNATIONAL CORP	-	576
CHEVRON CORPORATION	-	485
Pepsico INC	-	475
COVIDIENT PLC	-	462
GILEAD SCIENCES	-	440
Symanatec corp.	-	386
ALCOA INC	-	387
Bristol-Myers Squibb Co	-	291
Akamai Technologies Inc	-	282
CUMMINS INC	-	273
Oracle Corp	-	251
Salesforce.com Inc	-	249
Wells Fargo Bank N.A. San Francisco, USA	-	227
OJSC "Gazprom"	-	9
Other	176	2,514
Total equity securities	**1,338,256**	**3,212,541**
Derivative financial instruments		
Index contracts	171,355	-
Foreign currency contracts	23,672	26,285
Securities contracts	12,951	16,388
Other	1,894	-
Total derivative financial instruments	**209,872**	**42,673**
Total financial instruments at fair value through profit or loss	**40,627,977**	**26,020,250**
LIABILITIES		
Derivative financial instruments		
Liabilities for sale of securities	(1,311,503)	-
Securities contracts	-	(5,908)
Foreign currency contracts	(63,065)	(16,198)
	(1,374,568)	**(22,106)**

As at 31 December 2013 and 2012, financial assets at fair value through profit or loss include Russian Government Federal bonds with nominal interest rates in the range 4.50%-12.75% and maturity in 2014-2042 and 5.63%-12.75% with maturity in 2014-2042, respectively. As at 31 December 2013, and 2012 financial assets at fair value through profit or loss include debt securities of companies and banks with nominal interest rates in the range 1.38%-8.60% with maturity in 2015-2023 and 1.38%-12.25% with maturity in 2013-2042, respectively.

As at 31 December 2013, financial assets at fair value through profit or loss in the amount of RUR 1,311,503 thousand, were pledged as collateral for liabilities for sale of securities (2012: none).

Foreign currency contracts

The table below summarises, by major currencies, the contractual amounts of forward exchange contracts outstanding at 31 December 2013 and 2012 with details of the contractual exchange rates and remaining periods to maturity. Foreign currency amounts presented below are translated at rates ruling at the reporting date. The resultant unrealised gains and losses on these unmatured contracts, along with the amounts payable and receivable on the matured but unsettled contracts, are recognised in profit or loss and in financial instruments at fair value through profit or loss, as appropriate.

	Notional amount		Weighted average contracted exchange rates	
	2013 RUR'000	2012 RUR'000	2013 RUR	2012 RUR
Buy RUR sell USD				
Less than three months	18,270,705	14,517,438	32.7433	30.3926
Buy USD sell RUR				
Less than three months	4,110,133	11,343,019	32.9963	30.3383
Buy EUR sell RUR				
Less than three months	4,508,683	3,536,577	44.9579	40.2592
Buy RUR sell EUR				
Less than three months	652,886	160,754	45.0268	40.1890
Buy EUR sell USD				
Less than three months	626,431	3,294,722	1.3756	1.3263
Buy RUR sell CHF				
From three to six months	220,200	-	36.7000	-
Buy JPY sell RUR				
Less than three months	118,637	-	0.3500	-
Buy CHF sell USD				
Less than three months	-	324,566	-	0.9110
Buy USD sell CHF				
Less than three months	-	232,890	-	33.2700
Buy CAD sell RUR				
Less than three months	-	183,244	-	30.5600
Buy USD sell CAD				
Less than three months	-	182,166	-	0.9950
Total	**28,507,675**	**33,775,376**		

Securities contracts

The Group's position and carrying amounts of securities contracts at 31 December 2013 and 2012 are presented below. The resultant unrealised gains and losses on these unmatured contracts, along with the amounts payable and receivable on the matured but unsettled contracts, are recognised in profit or loss and in financial instruments at fair value through profit or loss, as appropriate.

	2013 RUR '000			2012 RUR '000		
	Asset	Liability	Net value	Asset	Liability	Net value
Securities contracts						
Assets						
Forwards	5,167,219	(5,158,155)	9,064	1,185,302	(1,181,875)	3,427
Spots	2,280,611	(2,276,724)	3,887	7,129,516	(7,116,555)	12,961
	7,447,830	(7,434,879)	12,951	8,311,818	(8,298,430)	16,388
Liabilities						
Forwards	-	-	-	268,463	(268,798)	(335)
Spots	-	-	-	3,165,546	(3,171,119)	(5,573)
	-	-	-	3,454,009	(3,439,917)	(5,908)
Total securities contracts	**7,447,830**	**(7,434,879)**	**12,951**	**11,748,827**	**(11,738,347)**	**10,480**

17. LOANS TO CUSTOMERS

	2013 RUR'000	2012 RUR'000
Loans to legal entities		
Loans to large corporates	13,648,269	19,490,505
Loans to small and medium size companies	4,185,112	3,280,547
Total loans to legal entities	**17,833,381**	**22,771,052**
Financing receivables	6,908,800	5,342,704
Total financing receivables	**6,908,800**	**5,342,704**
Loans to individuals		
Consumer loans	30,067,119	35,425,970
Credit cards	6,152,159	721,114
Car loans	47,024	89,083
Other	6,655,977	9,144,704
Total loans to individuals	**42,922,279**	**45,380,871**
Gross loans to customers	**67,664,460**	**73,494,627**
Impairment allowance	(8,125,253)	(6,330,232)
Net loans to customers	**59,539,207**	**67,164,395**

Movements in the loan impairment allowance for the year ended 31 December are as follows:

	2013 RUR'000	2012 RUR'000
Balance at the beginning of the year	6,330,232	6,667,026
Net charge for the year recognised in profit for the period from continued operations	4,741,326	2,936,009
Net charge for the year recognised in profit for the period from discontinued operations	-	1,641,693
Accumulated allowance transferred to assets of discontinued operations classified as held for sale	-	(2,891,647)
Loans written off during the year as uncollectible	(2,946,305)	(2,022,849)
Balance at the end of the year	**8,125,253**	**6,330,232**

Loan impairment allowance by classes for the year ended 31 December 2013 and 2012 are as follows:

	31 December 2013 RUR'000	31 December 2012 RUR'000
Loans to large corporates	2,252,009	1,365,967
Loans to small and medium size companies	766,281	1,111,309
Financing receivables	533,457	583,171
Loans to individuals	4,573,506	3,269,785
Balance at the end of the reporting period	**8,125,253**	**6,330,232**

Credit quality of the loans to legal entities portfolio

The Group has an internal classification of the loans without the individual indicators of impairment. The loans are classified as:

- Standard loans, representing loans without any indicators of impairment and thus representing the best level of credit quality;
- Watch list loans, representing loans with some minor indicators of deterioration in credit quality not yet resulting in the impairment of the loan. Such indicators may include minor breaches of loan covenants, some factors of deterioration of financial position of the borrower etc., not yet affecting the ability of the borrower to repay the amounts in due course. Watch list loans are subject to stricter monitoring of financial position, collateral and other enhanced credit risk management tools:

The following table provides information on the credit quality of the loans to legal entities portfolio as at 31 December 2013:

	Gross loans RUR'000	Allowance for impairment RUR'000	Net loans RUR'000	Impairment to gross loans %
Loans to large corporates				
Loans for which no impairment has been identified:				
- Standard loans	8,871,293	(102,907)	8,768,386	1.16%
- Watch list loans	2,026,200	(23,466)	2,002,734	1.16%
Total loans for which no impairment has been identified	10,897,493	(126,373)	10,771,120	1.16%
Impaired loans:				
- not overdue	749,799	(376,683)	373,116	50.24%
- overdue less than 90 days	246,176	(152,880)	93,296	62.10%
- overdue more than 90 days and less than 1 year	790,450	(632,295)	158,155	79.99%
- overdue more than 1 year	964,351	(963,778)	573	99.94%
Total impaired loans	2,750,776	(2,125,636)	625,140	77.27%
Total loans to large corporates	**13,648,269**	**(2,252,009)**	**11,396,260**	**16.50%**
Loans to small and medium size companies				
Loans for which no impairment has been identified:				
- Standard loans	3,123,730	(51,326)	3,072,404	1.64%
- Watch list loans	165,793	(2,719)	163,074	1.64%
Total loans for which no impairment has been identified	3,289,523	(54,045)	3,235,478	1.64%
Impaired loans:				
- not overdue	48,729	(4,730)	43,999	9.71%
- overdue less than 90 days	102,275	(38,294)	63,981	37.44%
- overdue more than 90 days and less than 1 year	109,652	(68,037)	41,615	62.05%
- overdue more than 1 year	634,933	(601,175)	33,758	94.68%
Total impaired loans	895,589	(712,236)	183,353	79.53%
Total loans to small and medium size companies	**4,185,112**	**(766,281)**	**3,418,831**	**18.31%**
Total loans to legal entities	**17,833,381**	**(3,018,290)**	**14,815,091**	**16.92%**

The following table provides information on the credit quality of the loans to legal entities portfolio as at 31 December 2012:

	Gross loans RUR'000	Allowance for impairment RUR'000	Net loans RUR'000	Impairment to gross loans %
Loans to large corporates				
Loans for which no impairment has been identified:				
- Standard loans	15,177,130	(154,807)	15,022,323	1.02%
- Watch list loans	1,869,159	(71,435)	1,797,724	3.82%
Total loans for which no impairment has been identified	17,046,289	(226,242)	18,820,047	1.33%
Impaired loans:				
- not overdue	1,105,612	(298,297)	807,315	26.98%
- overdue less than 90 days	138,983	(33,980)	105,003	24.45%
- overdue more than 90 days and less than 1 year	467,579	(247,933)	219,646	53.02%
- overdue more than 1 year	732,042	(559,515)	172,527	76.43%
Total impaired loans	2,444,216	(1,139,725)	1,304,491	46.63%
Total loans to large corporates	**19,490,505**	**(1,365,967)**	**18,124,538**	**7.01%**
Loans to small and medium size companies				
Loans for which no impairment has been identified:				
- Standard loans	2,078,194	(74,815)	2,003,379	3.60%
- Watch list loans	121,400	(4,370)	117,030	3.60%
Total loans for which no impairment has been identified	2,199,594	(79,185)	2,120,409	3.60%
Impaired loans:				
- not overdue	43,113	(23,245)	19,868	53.92%
- overdue less than 90 days	22,735	(16,809)	5,926	73.93%
- overdue more than 90 days and less than 1 year	102,011	(78,976)	23,035	77.42%
- overdue more than 1 year	913,094	(913,094)	-	100.00%
Total impaired loans	1,080,953	(1,032,124)	48,829	95.48%
Total loans to small and medium size companies	**3,280,547**	**(1,111,309)**	**2,169,238**	**33.88%**
Total loans to legal entities	**22,771,052**	**(2,477,276)**	**20,293,776**	**10.88%**

As at 31 December 2013 and 2012, no single borrower of the Group accounts for more than 10% of the Group's equity.

During the year ended 31 December 2013, the Group renegotiated loans to legal entitites that would otherwise be past due or impaired of RUR 390,790 thousand (31 December 2012: RUR 733,851 thousand). Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities.

In 2013, the Group changed the assumptions used to provide for loans to small and medium sized businesses for which no impairment has been identified due to market improvement compared to last year. When determining the provision for loans for which no impairment has been identified, the Group started to use the overdue debt migration model for calculation probabilities of default on the basis of overdue period and collected history. This methodology will be used prospectively.

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of loans to legal entities for the year ended 31 December 2013 are as follows:

	Loans to large corporates RUR'000	Loans to small and medium size companies RUR'000	Total RUR'000
Loan impairment allowance as at 1 January	1,365,967	1,111,309	2,477,276
Loan impairment losses	1,026,708	(345,028)	681,680
Loans written off as uncollectible	(140,666)	-	(140,666)
Loan impairment allowance as at 31 December	**2,252,009**	**766,281**	**3,018,290**

Movements in the loan impairment allowance by classes of loans to legal entities for the year ended 31 December 2012 are as follows:

	Loans to large corporates RUR'000	Loans to small and medium size companies RUR'000	Total RUR'000
Loan impairment allowance as at 1 January	1,844,422	1,216,677	3,061,099
Loan impairment losses on assets of discontinued operations classified as held for sale	98,044	7,957	106,001
Loan impairment losses	(248,018)	(104,482)	(352,500)
Accumulated allowance transferred to assets of discontinued operations classified as held for sale	(198,544)	(8,843)	(207,387)
Loans written off as uncollectible	(129,937)	-	(129,937)
Loan impairment allowance as at 31 December	**1,365,967**	**1,111,309**	**2,477,276**

The following table provides information on the credit quality of the financing receivables as at 31 December 2013:

	Gross loans RUR'000	Provision for impairment RUR'000	Net loans RUR'000	Impairment to gross loans %
Financing receivables				
Financing receivables without individual signs of impairment				
-Standard financing receivables	5,928,097	(52,800)	5,875,297	0.89%
Total financing receivables for which no impairment has been identified	5,928,097	(52,800)	5,875,297	0.89%
Impaired financing receivables:				
- Overdue less 30 days	119,539	(15,114)	104,425	12.64%
- Overdue 30-89 days	130,713	(24,297)	106,416	18.59%
- Overdue 90-179 days	141,976	(40,080)	101,896	28.23%
- Overdue 180-360 days	169,741	(88,001)	81,740	51.84%
- Overdue more than 360 days	418,734	(313,165)	105,569	74.79%
Total impaired financing receivables	980,703	(480,657)	500,046	49.01%
Total financing receivables	**6,908,800**	**(533,457)**	**6,375,343**	**7.72%**

The following table provides information on the credit quality of the financing receivables as at 31 December 2012:

	Gross loans RUR'000	Provision for impairment RUR'000	Net loans RUR'000	Impairment to gross loans %
Financing receivables				
Financing receivables without individual signs of impairment				
-Standard financing receivables	4,830,595	(71,062)	4,759,533	1.47%
Total financing receivables for which no impairment has been identified	4,830,595	(71,062)	4,759,533	1.47%
Impaired financing receivables:				
- Overdue less 30 days	2,714	(2,714)	-	100.00%
- Overdue 30-89 days	42,688	(42,688)	-	100.00%
- Overdue 90-179 days	43,527	(43,527)	-	100.00%
- Overdue 180-360 days	140,043	(140,043)	-	100.00%
- Overdue more than 360 days	283,137	(283,137)	-	100.00%
Total impaired financing receivables	512,109	(512,109)	-	100.00%
Total financing receivables	**5,342,704**	**(583,171)**	**4,759,533**	**10.92%**

In 2013, the Group changed the methodology used to provide for impaired category of financing receivables. When determining the provision for the impairment of impaired category of financing receivables, the Group started to use the overdue debt migration model calculating probabilities of default for impaired category of financing receivables on the basis of overdue period. When estimating the provisions, the Group also used the loss given default (LGD) indicator. This methodology will be used prospectively.

The Group has financed small and medium retailers with pre-shipments financing amounting to RUR 6,908,800 thousand and RUR 5,342,704 thousand as at 31 December 2013 and 2012. Such recievables are secured by the underlying goods purchased and have a short term maturity from 1 to 6 months.

Movements in the loan impairment of financing receivables for the year ended 31 December 2013 are as follows:

	Financing receivables RUR'000
Loan impairment allowance as at 1 January	583,171
Recovery of loan impairment losses	(49,714)
Loan impairment allowance as at 31 December	**533,457**

Movements in the loan impairment of financing receivables for the year ended 31 December 2012 are as follows:

	Financing receivables RUR'000
Loan impairment allowance as at 1 January	281,091
Loan impairment losses	302,080
Loan impairment allowance as at 31 December	**583,171**

Credit quality of loans to individuals

The following table provides information on the credit quality of loans to individuals collectively assessed for impairment as at 31 December 2013:

	Gross loans RUR'000	Provision for impairment RUR'000	Net loans RUR'000	Provision for impairment to gross loans %
Consumer loans				
Not past due	23,447,281	(162,790)	23,284,491	0.69%
Overdue less than 30 days	1,295,921	(185,626)	1,110,295	14.32%
Overdue 30-89 days	1,205,044	(387,661)	817,383	32.17%
Overdue 90-179 days	1,191,560	(578,500)	613,060	48.55%
Overdue 180-360 days	1,893,439	(1,352,705)	540,734	71.44%
Overdue more than 360 days	1,033,874	(919,656)	114,218	88.95%
Total consumer loans	**30,067,119**	**(3,586,938)**	**26,480,181**	**11.93%**
Credit cards				
Not past due	5,397,423	(37,443)	5,359,980	0.69%
Overdue less than 30 days	148,992	(21,328)	127,664	14.31%
Overdue 30-89 days	105,989	(24,978)	81,011	23.57%
Overdue 90-179 days	93,157	(28,015)	65,142	30.07%
Overdue 180-360 days	61,130	(21,651)	39,479	35.42%
Overdue more than 360 days	345,468	(185,534)	159,934	53.71%
Total credit cards	**6,152,159**	**(318,949)**	**5,833,210**	**5.18%**
Car loans				
Not past due	21,237	(147)	21,090	0.69%
Overdue less than 30 days	1,105	(158)	947	14.32%
Overdue 30-89 days	1,510	(301)	1,209	19.90%
Overdue 90-179 days	316	(73)	243	23.04%
Overdue 180-360 days	1,420	(514)	906	36.22%
Overdue more than 360 days	21,436	(9,654)	11,782	45.04%
Total car loans	**47,024**	**(10,847)**	**36,177**	**23.07%**
Other retail loans				
Not past due	5,448,098	(27,369)	5,420,729	0.50%
Overdue less than 30 days	203,242	(28,534)	174,708	14.04%
Overdue 30-89 days	187,090	(60,169)	126,921	32.16%
Overdue 90-179 days	209,373	(106,939)	102,434	51.08%
Overdue 180-360 days	285,259	(177,868)	107,391	62.35%
Overdue more than 360 days	322,915	(255,893)	67,022	79.25%
Total other retail loans	**6,655,977**	**(656,772)**	**5,999,205**	**9.87%**
Total retail loans	**42,922,279**	**(4,573,506)**	**38,348,773**	**10.66%**

The following table provides information on the credit quality of loans to individuals collectively assessed for impairment as at 31 December 2012:

	Gross loans RUR'000	Provision for impairment RUR'000	Net loans RUR'000	Provision for impairment to gross loans %
Consumer loans				
Not past due	30,883,161	(118,281)	30,764,880	0.38%
Overdue less than 30 days	829,094	(84,868)	744,226	10.24%
Overdue 30-89 days	736,211	(305,764)	430,447	41.43%
Overdue 90-179 days	748,844	(388,599)	360,245	51.89%
Overdue 180-360 days	1,026,065	(768,510)	257,555	74.90%
Overdue more than 360 days	1,202,595	(1,014,294)	188,301	84.34%
Total consumer loans	**35,425,970**	**(2,680,316)**	**32,745,654**	**7.57%**
Credit cards				
Not past due	604,850	(2,370)	602,480	0.39%
Overdue less than 30 days	35,524	(3,668)	31,856	10.33%
Overdue 30-89 days	29,749	(11,692)	18,057	39.30%
Overdue 90-179 days	19,830	(13,560)	6,270	68.38%
Overdue 180-360 days	31,161	(26,091)	5,070	83.73%
Total credit cards	**721,114**	**(57,381)**	**663,733**	**7.96%**
Car loans				
Not past due	42,948	(165)	42,783	0.38%
Overdue less than 30 days	2,282	(234)	2,048	10.23%
Overdue 30-89 days	2,699	(807)	1,891	29.92%
Overdue 90-179 days	831	(400)	431	48.11%
Overdue 180-360 days	3,501	(2,335)	1,166	66.70%
Overdue more than 360 days	36,823	(28,012)	8,811	76.07%
Total car loans	**89,083**	**(31,953)**	**57,130**	**35.87%**
Other retail loans				
Not past due	8,351,763	(12,934)	8,338,829	0.15%
Overdue less than 30 days	143,669	(12,497)	131,172	8.70%
Overdue 30-89 days	92,615	(33,525)	59,090	36.20%
Overdue 90-179 days	95,746	(45,185)	50,561	47.19%
Overdue 180-360 days	137,240	(83,227)	54,013	60.64%
Overdue more than 360 days	323,671	(312,767)	10,904	96.63%
Total other retail loans	**9,144,704**	**(500,135)**	**8,644,569**	**5.47%**
Total retail loans	**45,380,871**	**(3,269,785)**	**42,111,086**	**7.21%**

As at 31 December 2013, included in the loan portfolio are restructured loans to individuals that would otherwise be past due or impaired of RUR 549,354 thousand (31 December 2012: RUR 528,408 thousand).

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of loans to individuals for the year ended 31 December 2013 are as follows:

RUR'000	Consumer loans	Credit cards	Car loans	Other loans	Total
Loan impairment allowance as at 1 January	2,680,316	57,381	31,953	500,135	3,269,785
Loan impairment losses	3,533,056	261,568	(21,106)	335,841	4,109,359
Loans written off as uncollectible	(2,626,434)	-	-	(179,204)	(2,805,638)
Loan impairment allowance as at 31 December	**3,586,938**	**318,949**	**10,847**	**656,772**	**4,573,506**

Movements in the loan impairment allowance by classes of loans to individuals for the year ended 31 December 2012 are as follows:

RUR'000	Consumer loans	Credit cards	Car loans	Other loans	Total
Loan impairment allowance as at 1 January	2,760,250	93,011	133,967	337,608	3,324,836
Loan impairment losses	2,679,259	69,843	(69,340)	306,667	2,986,429
Loan impairment losses on assets of discontinued operations classified as held for sale	1,721,532	(30,995)	(32,674)	(122,171)	1,535,692
Accumulated allowance transferred to assets of discontinued operations classified as held for sale	(2,673,470)	(10,790)	-	-	(2,684,260)
Loans written off as uncollectible	(1,807,255)	(63,688)	-	(21,969)	(1,892,912)
Loan impairment allowance as at 31 December	**2,680,316**	**57,381**	**31,953**	**500,135**	**3,269,785**

As at 31 December 2013 impaired loans to individuals amounted to RUR 8,608,240 thousand (31 December 2012: RUR 5,498,149 thousand).

Analysis of collateral

The following table provides the analysis of loans to legal entitites and loans to individuals portfolio, gross of impairment, by types of collateral as at 31 December 2013 and 2012:

	2013 RUR'000	% of loan portfolio RUR'000	2012 RUR'000	% of loan portfolio RUR'000
Other collateral	7,729,681	11.45%	10,539,961	14.34%
Motor vehicles	4,510,896	6.68%	4,595,872	6.25%
Guarantees	3,915,607	5.80%	3,756,428	5.11%
Real estate	3,331,648	4.93%	1,797,652	2.45%
Traded securities	297,404	0.44%	1,037,989	1.41%
No collateral	48,397,058	71.53%	51,766,725	70.44%
Total	**67,664,460**	**100.00%**	**73,494,627**	**100.00%**

The amounts shown in the table above represent the gross values of the loans, and do not necessarily represent the fair value of the collateral.

Impaired or overdue loans to legal entities with a gross value of RUR 1,749,712 thousand (31 December 2012: RUR 589,553 thousand) are secured by collateral with a fair value of RUR 3,367,505 thousand (31 December 2012: RUR 2,229,369 thousand). For the remaining impaired loans of RUR 2,740,396 thousand (31 December 2012: RUR 1,862,327 thousand) there is no collateral or it is impracticable to determine fair value of collateral.

Auto loans are secured by underlying vehicles. Credit card overdrafts and consumer loans are not secured.

During the year ended 31 December 2013, the Group obtained assets by taking control of collateral accepted as security for commercial loans in the total amount of RUR 6,570 thousand (31 December 2012: RUR 12,843 thousand). This has been accounted for as non-cash item for the purposes of composition of consolidated statement of cash flows.

Industry analysis of the loan portfolio

Loans to customers were issued primarily to customers located within the Russian Federation who operate in the following economic sectors:

	2013 RUR'000	2012 RUR'000
Individuals	42,922,279	45,380,871
Trade	14,912,740	17,518,499
Finance	1,357,787	1,051,686
Construction	1,139,154	2,974,320
Manufacturing	327,712	1,881,332
Heavy industry	285,118	775,091
Agriculture	279,868	612,426
Other	6,439,802	3,300,402
	67,664,460	**73,494,627**
Impairment allowance	(8,125,253)	(6,330,232)
	59,539,207	**67,164,395**

Loan maturities

The maturity of the loan portfolio is presented in Note 41, which shows the remaining period from the reporting date to the contractual maturity of the loans.

18. HELD-TO-MATURITY INVESTMENTS

	2013 RUR'000	2012 RUR'000
Government bonds		
Ministry of Finance RF OFZ-25079	978,569	-
Ministry of Finance RF OFZ-26203	519,905	-
Total government and municipal bonds	**1,498,474**	**-**

As at 31 December 2013, held-to-maturity investments include Russian Government Federal bonds with nominal interest rates in the range 6.90%-7.00% and maturity in 2015-2016.

Government bonds in the amount of RUR 519,905 are pledged to amounts payable under repurchase agreements with maturity less than 1 month.

19. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

RUR'000	Land and buildings	Equipment	Motor vehicles	Intangible assets	Leasehold assets improvements	Construction in progress	Total
Cost/revalued amount							
At 1 January 2013	1,999,066	2,643,144	141,981	888,849	393,440	161,550	6,228,030
Additions	12,350	699,360	59,129	339,941	-	82,256	1,193,036
Disposals	(73,620)	(47,627)	(45,460)	(592)	-	(11,320)	(178,619)
Transfer	-	-	-	-	56,754	(56,754)	-
Transfers to investment property	(7,857)	-	-	-	-	-	(7,857)
Transfers to assets of discontinued operations classified as held for sale	(180,024)	(27,441)	-	-	-	-	(207,465)
Revaluation	164,383	-	-	-	-	-	164,383
At 31 December 2013	**1,914,298**	**3,267,436**	**155,650**	**1,228,198**	**450,194**	**175,732**	**7,191,508**
Depreciation and amortization							
At 1 January 2013	-	1,304,864	55,989	447,879	222,046	-	2,030,778
Depreciation and amortization charge	38,298	525,547	37,885	145,795	99,052	-	846,577
Transfers to assets of discontinued operations classified as held for sale	(2,787)	(18,756)	-	-	-	-	(21,543)
Disposals	(988)	(31,600)	(28,404)	(592)	-	-	(61,584)
Elimination of accumulated depreciation of revalued assets	(34,523)	-	-	-	-	-	(34,523)
At 31 December 2013	**-**	**1,760,055**	**65,470**	**593,082**	**321,098**	**-**	**2,759,705**
Carrying value							
At 31 December 2013	**1,914,298**	**1,487,381**	**90,180**	**635,116**	**129,096**	**175,732**	**4,431,803**

RUR'000	Land and buildings	Equipment	Motor vehicles	Intangible assets	Leasehold assets improvements	Construction in progress	Total
Cost/revalued amount							
At 1 January 2012	3,493,452	2,394,994	149,037	755,348	307,583	174,862	7,275,276
Additions	162,799	930,864	49,271	200,821	-	152,530	1,496,286
Disposals	(345,442)	(69,227)	(29,397)	(9,886)	-	(10,011)	(463,963)
Transfers	-	-	-	-	85,857	(85,857)	-
Transfers to investment property	(303,298)	-	-	-	-	-	(303,298)
Transfers to assets of discontinued operations classified as held for sale	(1,211,021)	(613,487)	(26,930)	(57,434)	-	(69,974)	(1,978,846)
Revaluation	202,575	-	-	-	-	-	202,575
At 31 December 2012	**1,999,066**	**2,643,144**	**141,981**	**888,849**	**393,440**	**161,550**	**6,228,030**
Depreciation and amortization							
At 1 January 2012	-	1,127,826	54,260	336,743	140,372	-	1,659,201
Depreciation and amortization charge	21,002	473,198	39,123	124,802	84,886	-	742,516
Depreciation and amortization charge of assets from discontinued operations	17,353	63,178	2,430	5,507	495		88,963
Transfers to assets of discontinued operations classified as held for sale	(17,353)	(291,424)	(22,490)	(9,312)	(2,649)	-	(343,228)
Disposals	(10,273)	(67,914)	(17,334)	(9,861)	(563)	-	(105,945)
Elimination of accumulated depreciation of revalued assets	(10,729)	-	-	-	-	-	(10,729)
At 31 December 2012	**-**	**1,304,864**	**55,989**	**447,879**	**222,046**	**-**	**2,030,778**
Carrying value							
At 31 December 2012	**1,999,066**	**1,338,280**	**85,992**	**440,970**	**171,394**	**161,550**	**4,197,252**

Intangible assets consist of licences and purchased and developed software.

Revalued assets

Aa at 31 December 2013, buildings were revalued by the Management based on the results of an independent appraisal.

The valuation was performed based on the market and income capitalization approaches.

The estimate of the market value is based on the direct comparison of the revalued object with other objects sold or offered for sale. The market value of premises is determined by the price which an independent party would pay for an object similar by its quality and use. The market value of premises was estimated based on information on sales of the comparable items that took place in the market.

The following key assumptions are used in applying income capitalization approaches:

- Net operating income was estimated based on the market rental rates of RUR 4,729-109,328 per square meter per annum depending on the characteristics of the revalued assets;
- Capitalization rates used for estimation of fair value of properties (depending on its type) ranging from 9.0% to 13% respectively.

The values assigned to the key assumptions represent Management's assessment of future business trends and are based on both external sources and internal sources of information.

Analysis of revaluation movements	2013 RUR'000	2012 RUR'000
Revaluation for the period	164,383	213,304
Elimination of accumulated depreciation of revalued assets	34,523	10,729
Recovery of impairment allowance	(44,834)	(122,037)
Change in revaluation assets of discontinued operations classified as held for sale	49,335	-
Impairment allowance for the year	-	2,183
Revaluation for the period in the statement of changes in equity before tax	**203,407**	**104,179**

The carrying value of buildings as at 31 December 2013, if the buildings would not have been revalued, would be RUR 1,715,392 thousand (31 December 2012: RUR 2,028,867 thousand).

The table below presents the negative revaluation of RUR 124,136 thousand (31 December 2012: RUR 185,737 thousand) which was recognized cumulatively as an impairment charge in retained earnings of the Group and accordingly, as a charge for appropriate year in profit or loss:

Analysis of movements in the impairment allowance	2013 RUR'000	2012 RUR'000
Balance at the beginning of the year	65,637	668,835
Write off of allowance of disposed and transfered land and building	(16,767)	(363,244)
Recovery of allowance	(44,834)	(122,037)
Transfers of allowance to assets of discontinued operations classified as held for sale	-	(120,100)
Net charge for the year	-	2,183
Balance at the end of the year	**4,036**	**65,637**

Details of the Group's buildings and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Level 1	Level 2	Level 3	Fair value as at December 31, 2013
Buildings in following region:				
- Moscow region	-	607 410	-	**607 410**
- Ekaterinburg region	-	302 120	-	**302 120**
- St.Petersburg	-	79 600	-	**79 600**
- Saratov region	-	605 381	-	**605 381**
- Kaluga region	-	216 740	-	**216 740**
- Rostov region	-	67 967	-	**67 967**
- Other	-	35 080	-	**35 080**
Total	-	1,914,298	-	**1,914,298**

There were no transfers between Levels 1 and 2 during the year.

20. DEVELOPMENT PROPERTY

	2013 RUR'000	2012 RUR'000
Developments under construction:		
Development and construction costs	2,430,311	6,212,689
Complete development properties	220,663	1,003,862
Impairment of development property to net realizable value	-	(498,688)
	2,650,974	**6,717,863**

The Management consider all inventories to be current in nature. The operational cycle is such that the majority of Development Property will not be realised within 12 months. It is not possible to determine with accuracy when specific Development Property will be realised, as this will be subject to a number of issues such as consumer demand and planning permission delays.

As at 31 December 2012, the Management reconsidered its strategy in relation to further development of several construction projects due to changes in forecasts of market sale prices for the properties. As a result, the Group has recognised an impairment loss in the amount of RUR 683,333 thousand which was attributable to write off of goodwill in the amount of RUR 184,645 thousand and development property in the amount of RUR 498,688 thousand.

21. INVESTMENT PROPERTY

	2013 RUR'000	2012 RUR'000
Fair value		
As at 1 January	2,648,867	2,575,957
Additions	-	626
Disposal	(1,302,783)	(202,910)
Transfers from property, equipment and intangible assets	7,857	303,298
Transfers to assets of discontinued operations classified as held for sale	-	(77,850)
Change in fair value	(129,468)	49,746
Aa at 31 December	**1,224,473**	**2,648,867**

Details of the Group's investment property and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Level 1	Level 2	Level 3	Fair value as at December 31, 2013
Buildings in following region:				
- Sverdlovsk region	-	597 037	-	**597 037**
- Ekaterinburg region	-	182 934	-	**182 934**
- Moscow region	-	145 592	-	**145 592**
- Ivanovo region	-	67 800	-	**67 800**
- Saratov region	-	62 682	-	**62 682**
- St.Petersburg	-	43 300	-	**43 300**
- Sochi	-	37 800	-	**37 800**
- Kaluga region	-	24 796	-	**24 796**
- Other	-	62 532	-	**62 532**
Total	-	1,224,473	-	**1,224,473**

There were no transfers between Levels 1 and 2 during the year.

Management valued investment properties based on the results of independent appraisals. The approach used for the revaluation was consistent with revaluation of buildings in own use (refer to Note 19). The market value of land is determined by the price which an independent party would pay for an object similar by its quality and use. The market value of land was estimated based on information on sales of the comparable items that took place in the market.

Operating expenses arising from the investment property and rental income are insignificant.

22. OTHER ASSETS

	2013 RUR'000	2012 RUR'000
Prepayments	1,016,021	988,819
Other receivables	128,924	191,035
Taxes receivable, other than income tax	23,336	64,278
Investments in associates and unconsolidated subsidiaries	16	17,501
Property received under pledge agreements	6,570	17,357
Investment coins	493	-
Provision for impairment	(145,464)	(100,817)
Total other assets	**1,029,896**	**1,178,173**

As at 31 December 2013, included in other assets are overdue non financial receivables of RUR 145,464 thousand (31 December 2013: RUR 100,817 thousand).

As at 31 December 2013 and 2012, financial assets within other assets consist of other receivables totaling RUR 128,924 thousand and RUR 191,035 thousand respectively.

Associates and unconsolidated subsidiaries comprise:

Name	Country of incorporation	Main activity	% Controlled 2013	% Controlled 2012	2013 Carrying value RUR'000	2012 Carrying value RUR'000
Ultra Weis Global Funding reg.	Lichtenstein	Other	-	100%	-	17,285
LLC TSUP	Russian Federation	Other	-	-	-	-
LLC Scratch Card	Russian Federation	Other	-	100%	-	100
LLC Factoring company Debitorov.Net	Russian Federation	Factoring	-	100%	-	100
Other	Russian Federation	Other	19%-100%	19%-100%	16	16
					16	**17,501**

23. DISCONTINUED OPERATIONS

The Group's Management and the Board of Directors have approved a plan to separate its subsidiaries OJSC Bank24.ru, CJSC Bank Poidem!, LLC "Development Plus" and CMIF "Perspectivnaya Nedvijimost" into a parallel holding entity structure. The purpose of this transaction is to separate the more entreprenurial businesses, with substantially different business and risk profiles, from the Group and allow Management to concentrate on the Group's core banking business operations.

The separation is expected to be completed during 2014 year.

The Group has not recognized any impairment losses in respect of these subsidiaries, neither when the operations were reclassified as held for sale nor at the end of the reporting period.

The assets and liabilities of the disposal group of subsidiaries are presented below:

	31 December 2013 RUR'000	31 December 2012 RUR'000
ASSETS OF DISCONTINUED OPERATIONS CLASSIFIED AS HELD FOR SALE		
Cash	3,151,642	2,822,780
Due from the Central Bank of the Russian Federation	3,186,920	2,012,674
Mandatory cash balances with the Central Bank of the Russian Federation	202,391	199,988
Placements with banks and other financial institutions	2,045,021	1,554,660
Financial assets at fair value through profit or loss	412,956	591,356
Loans to customers	15,232,728	16,223,028
Available-for-sale securities	4,475	4,782
Property, equipment and intangible assets	1,813,858	1,635,618
Investment property	-	77,850
Deferred tax asset	-	131,568
Other assets	704,772	458,361
Total assets of discontinued operations classified as held for sale	**26,754,763**	**25,712,665**
LIABILITIES FROM DISCONTINUED OPERATIONS		
Deposits and balances from banks and other financial institutions	2,276,787	246,317
Current accounts and deposits from customers	17,564,300	18,154,980
Debt securities issued	2,932	34,341
Subordinated debts	-	-
Deferred tax liability	102,936	-
Other liabilities	833,873	678,181
Total liabilities from discontinued operations	**20,780,828**	**19,113,819**

	31 December 2013 RUR'000 As presented in the Segment analysis	Intragroup transactions eliminated on consolidation	31 December 2013 RUR'000
ASSETS OF DISCONTINUED OPERATIONS CLASSIFIED AS HELD FOR SALE			
Cash	3,151,642	-	3,151,642
Due from the Central Bank of the Russian Federation	3,186,920	-	3,186,920
Mandatory cash balances with the Central Bank of the Russian Federation	202,391	-	202,391
Placements with banks and other financial institutions	5,946,571	(3,901,550)	2,045,021
Financial assets at fair value through profit or loss	412,956	-	412,956
Loans to customers	15,232,728	-	15,232,728
Available-for-sale securities	4,475	-	4,475
Property, equipment and intangible assets	1,813,858	-	1,813,858
Other assets	704,772	-	704,772
Total assets of discontinued operations classified as held for sale	**30,656,313**	**(3,901,550)**	**26,754,763**
LIABILITIES FROM DISCONTINUED OPERATIONS			
Deposits and balances from banks and other financial institutions	7,768,590	(5,491,803)	2,276,787
Current accounts and deposits from customers	17,651,935	(87,635)	17,564,300
Debt securities issued	2,932	-	2,932
Subordinated debts	590,000	(590,000)	-
Deferred tax liability	102,936	-	102,936
Other liabilities	833,873	-	833,873
Total liabilities from discontinued operations	**26,950,266**	**(6,169,438)**	**20,780,828**

	31 December 2012 RUR'000 As presented in the Segment analysis	Intragroup transactions eliminated on consolidation	31 December 2012 RUR'000
ASSETS OF DISCONTINUED OPERATIONS CLASSIFIED AS HELD FOR SALE			
Cash	2,822,780	-	2,822,780
Due from the Central Bank of the Russian Federation	2,012,674	-	2,012,674
Mandatory cash balances with the Central Bank of the Russian Federation	199,988	-	199,988
Placements with banks and other financial institutions	6,372,856	(4,818,196)	1,554,660
Financial assets at fair value through profit or loss	591,356	-	591,356
Loans to customers	16,223,028	-	16,223,028
Available-for-sale securities	4,782	-	4,782
Property, equipment and intangible assets	1,635,618	-	1,635,618
Investment property	77,850	-	77,850
Deferred tax asset	131,568	-	131,568
Other assets	458,361	-	458,361
Total assets of discontinued operations classified as held for sale	**30,530,861**	**(4,818,196)**	**25,712,665**
LIABILITIES FROM DISCONTINUED OPERATIONS			
Deposits and balances from banks and other financial institutions	7,575,727	(7,329,410)	246,317
Current accounts and deposits from customers	18,681,145	(526,165)	18,154,980
Debt securities issued	34,341	-	34,341
Subordinated debts	590,278	(590,279)	-
Other liabilities	678,181	-	678,181
Total liabilities from discontinued operations	**27,559,672**	**(8,445,854)**	**19,113,819**

The Group provides funding to OJSC Bank24.ru and CJSC Bank Poidem! and charges interest on it. For the year ended 31 December 2013 and 2012, the amount of this intragroup interest charged by the continuing operations of the Group to the discontinued operations amounted to RUR 416,112 thousand and RUR 580,609 thousand, respectively.

OJSC Bank24.ru and CJSC Bank Poidem! used the funding provided by the Group to issue loans to third parties. For the year ended 31 December 2013 and 2012, OJSC Bank24.ru, CJSC Bank Poidem! recognized interest income on these loans in the amounts of RUR 7,129,748 thousand and RUR 6,120,930 thousand, respectively. An adjustment has been made to this interest income on consolidation (in the amount of RUR 416,112 thousand and RUR 580,609 thousand, respectively). The Group is anticipating that it will continue to provide interbank loans to CJSC Bank Poidem! in the future. In order to recognize this continuing income stream the Group has reallocated in 2013 and 2012 the amounts of RUR 416,112 thousand and RUR 580,609 thousand within the profits of the continuing operations as compensation for provided funding.

Net profit of discontinued operations relating to the disposal group held for sale is presented as follows:

	2013 RUR'000	2012 RUR'000
Interest income	6,713,951	5,630,321
Interest expense	(1,046,498)	(655,089)
Net interest income	**5,667,453**	**4,975,232**
Fee and commission income	1,720,412	1,072,757
Fee and commission expense	(323,387)	(114,243)
Net fee and commission income	**1,397,025**	**958,514**
Net loss on financial assets and liabilities at fair value through profit or loss	(7,460)	(881)
Net foreign exchange loss	(19,666)	(19,557)
Net gain/(loss) on available-for-sale securities	275	(442)
Other operating income	292,645	289,963
Operating income before provision for impairment losses	**7,330,272**	**6,202,829**
Impairment losses	(1,700,138)	(1,553,774)
General administrative expenses	(4,131,636)	(3,859,716)
Profit before tax	**1,498,498**	**789,339**
Income tax expense	(447,352)	(197,421)
Profit for the period from discontinued operations	**1,051,146**	**591,918**
Profit attributable to:		
Owners of the Bank	1,047,711	584,330
Non-controlling interest	3,435	7,588
Profit for the period from discontinued operations	**1,051,146**	**591,918**

The tables below present the result of the discontinued operation before and after consolidation adjustments:

	2013 RUR'000 As presented in the Segment analysis	Intragroup transactions eliminated on consolidation	Adjustment on reallocation of interest income to continuing operations	2013 RUR'000
Interest income	7,745,733	(537,189)	(416,112)	6,713,951
Interest expense	(1,854,257)	953,301	-	(1,046,498)
Net interest income	**5,667,453**	**416,112**	**(416,112)**	**5,667,453**
Fee and commission income	1,720,412	-	-	1,720,412
Fee and commission expense	(323,387)	-	-	(323,387)
Net fee and commission income	**1,397,025**	-	-	**1,397,025**
Net loss on financial assets and liabilities at fair value through profit or loss	(7,460)	-	-	(7,460)
Net foreign exchange loss	(19,666)	-	-	(19,666)
Net gain on available-for-sale securities	275	-	-	275
Other operating income	292,645	-	-	292,645
Operating income before provision for impairment losses	**7,330,272**	**416,112**	**(416,112)**	**7,330,272**
Impairment losses	(1,700,138)	-	-	(1,700,138)
General administrative expenses	(4,131,636)	-	-	(4,131,636)
Profit before tax	**1,498,498**	**416,112**	**(416,112)**	**1,498,498**

	2012 RUR'000 As presented in the Segment analysis	Intragroup transactions eliminated on consolidation	Adjustment on reallocation of interest income to continuing operations	2012 RUR'000
Interest income	6,627,605	(416,575)	(580,609)	5,630,321
Interest expense	(1,652,373)	997,284	-	(655,089)
Net interest income	**4,975,232**	**580,609**	**(580,609)**	**4,975,232**
Fee and commission income	1,072,757	-	-	1,072,757
Fee and commission expense	(114,243)	-	-	(114,243)
Net fee and commission income	**958,514**	-	-	**958,514**
Net loss on financial assets and liabilities at fair value through profit or loss	(881)	-	-	(881)
Net foreign exchange loss	(19,557)	-	-	(19,557)
Net loss on available-for-sale securities	(442)	-	-	(442)
Other operating income	289,963	-	-	289,963
Operating income before provision for impairment losses	**6,202,829**	**580,609**	**(580,609)**	**6,202,829**
Impairment losses	(1,553,774)	-	-	(1,553,774)
General administrative expenses	(3,859,716)	-	-	(3,859,716)
Profit before tax	**789,339**	**580,609**	**(580,609)**	**789,339**

Cash flows from discontinued operations of the disposal group held for sale is presented as follows:

Cash flows from discontinued operations	2013 RUR'000	2012 RUR'000
Net cash inflow from operating activities	1,564,068	1,136,076
Net cash outflows from investing activities	36,713	(441,457)
Net cash outflows from financing activities	(31,409)	(98,033)

24. DEPOSITS AND BALANCES FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2013 RUR'000	2012 RUR'000
Vostro accounts	1,060,526	967,239
Term deposits	7,058,533	7,551,182
	8,119,059	**8,518,421**

Concentration of deposits and balances from banks

As at 31 December 2013 and 2012, the Group has two and one counterparty, respectively whose balances exceeded 10% of Group's equity. The gross value of these balances as at 31 December 2013 and 2012 are RUR 3,307,786 thousand and RUR 2,570,940 thousand, respectively.

Deposits and balances from banks and other financial institutions maturities

The maturity of the deposits and balances from banks and other financial institutions is presented in Note 41.

25. AMOUNTS PAYABLE UNDER REPURCHASE AGREEMENTS

Details of transferred financial assets that are not derecognised in their entirety as at December 31, 2013 are disclosed below:

	2013 RUR'000	2012 RUR'000
Amounts payable to the Central Bank of the Russian Federation	1,208,688	2,147,347
Amounts payable to banks and other financial institutions	674,377	1,382,467
	1,883,065	**3,529,814**

Fair value of assets pledged and carrying value of amounts payable under repurchase agreements as at 31 December 2013 and 2012 comprise:

	31 December 2013		31 December 2012	
	Fair value of collateral	Carrying value of amounts payable under repurchase agreements	Fair value of collateral	Carrying value of amounts payable under repurchase agreements
Russian Government Federal bonds	2,670,231	1,883,065	2,024,963	1,906,091
Corporate bonds	-	-	275,981	241,998
Corporate shares	-	-	1,630,503	1,381,725
Total	**2,670,231**	**1,883,065**	**3,931,447**	**3,529,814**

Net position on repurchase agreements as at 31 December 2013 and 2012 are RUR 787,166 thousand and RUR 401,633 thousand respectively.

The repurchase agreements mature within 1 month of the year end (2012: 1 month).

26. CURRENT ACCOUNTS AND DEPOSITS FROM CUSTOMERS

	2013 RUR'000	2012 RUR'000
Current accounts and demand deposits		
- Individuals	4,541,257	4,564,897
- Corporate clients	22,273,263	22,571,595
Term deposits		
- Individuals	68,643,443	73,574,656
- Corporate clients	15,124,261	16,616,436
	110,582,224	**117,327,584**

As at 31 December 2013 and 2012, no single customer of the Group has accounted for more than 10% of the Group's equity.

	2013 RUR'000	2012 RUR'000
Analysis by sector:		
Individuals	73,184,700	78,139,553
Trade	13,843,094	16,416,050
Construction	8,365,664	9,157,126
Facility	6,196,541	6,466,380
Finances, loans, pensions	2,894,869	1,201,949
Mining and metallurgy	1,647,059	1,535,522
Transport and communication	505,365	508,804
Real estate	344,331	326,174
Agriculture	257,980	148,260
Public associations	170,646	200,289
State authorities	107,822	115,334
Mass media	87,816	53,736
Manufacturing	73,937	133,329
Energy and fuel sector	46,957	176,127
Other	2,855,443	2,748,951
Total customer accounts	**110,582,224**	**117,327,584**

27. DEBT SECURITIES ISSUED

	2013 RUR'000	2012 RUR'000
Discount bearing promissory notes	2,898,468	3,339,249
Subordinated loan participation notes	2,026,397	1,868,472
Corporate RUR bonds issued	505,795	2,075,980
Interest-bearing promissory notes	50,861	507,807
Zero-interest/non-discount bearing promissory notes	25,468	61,367
Total debt securities issued	**5,506,989**	**7,852,875**

Discount bearing promissory notes represent debt securities issued to legal entities with effective interest rates ranging from 2.02% to 14.56% (31 December 2012: from 1.60% to 12.00%) and maturity from 2014 to 2018 (31 December 2012: from 2013 to 2018).

As at 31 December 2013 and 2012, the Group had the following loan participation notes outstanding:

Principal amount as at 31 December 2013 '000	Principal amount as at 31 December 2012 '000	Interest rate %	Issue date	Maturity date	2013 RUR'000	2012 RUR'000
61,500 USD	61,500 USD	11.75	2010 – 50,000 USD 2011 – 11,500 USD	2016	2,026,397	1,868,472
Total loan participation notes					**2,026,397**	**1,868,472**

Covenants

The Group is obliged to comply with financial covenants in relation to loan participation notes due in 2016. In accordance with the terms of covenants the Group should comply with the minimum capital adequacy ratio established by the CBRF. The Group has not breached this covenant at at 31 December 2013 and 2012.

28. OTHER BORROWED FUNDS

As at 31 December 2013 and 2012 other borrowed funds comprise:

	Original currency	Maturity date	2013 Interest rate %	2013 RUR'000	2012 Interest rate %	2012 RUR'000
Loans granted by Bayerische Vereinsbank AG	EUR	2015-16	1.23-6.09	1,147,820	1.23-6.09	1,375,491
VTB BANK (FRANCE) S.A	EUR	2014	4.16-4.79	289,780	-	-
VTB BANK Germany	EUR	2014	4.03	226,787	-	-
State corporation "Deposit Insurance Agency"	RUR	2013	19.5	-	19.5	523,316
Loans granted by Bayerische Vereinsbank AG	CHF	2014	5.25	63,932	5.25	96,515
Loans granted by Bankgesellschaft Berlin AG	EUR	2014	5.10	26,352	5.10	70,720
Loans granted by Landesbank Berlin AG	EUR	2014	2.38	30,791	2.38	54,809
				1,785,462		**2,120,851**

Covenants

The Group is obliged to comply with financial covenants in relation to other borrowed funds from State corporation "Deposit Insurance Agency". In accordance with the terms of the covenants the Group should comply with the minimum capital adequacy ratio established by the CBRF. The Group has not breached this covenant as at 31 December 2013 and 2012.

29. SUBORDINATED DEBT

Subordinated debt as at 31 December 2013 and 2012 comprise:

	Original currency	Maturity date	2013 Interest rate %	2013 RUR'000	2012 Interest rate %	2012 RUR'000
AMBIKA Investments Limited	USD	2014-2020	6.40-13.50	1,865,565	6.40-13.50	1,488,693
LLC "Collection agency "Life "	RUR	2014-2042	9.08	374,241	9.08	374,257
LLC "Amigo"	RUR	2017	9.08	100,398	9.08	100,397
LLC "NBS – Finansoviye uslugi"	RUR	2020	6.00	21,200	6.00	20,033
European Bank for Reconstruction and Development	USD	2013	8.14	-	8.14	183,087
LLC "Collection agency "Life "	USD	2013	9.08	-	8.73	60,977
Total subordinated debt				**2,361,404**		**2,227,444**

In case of bankruptcy or liquidation of the Group, the repayment of the subordinated debt shall be made after repayment in full of liabilities to all other creditors of the Group.

Covenants

The Group is obliged to comply with financial subordinated debt covenants established by European Bank for Reconstruction and Development.

The Group has not breached these covenants as at 31 December 2012.

30. OTHER LIABILITIES

	2013 RUR'000	2012 RUR'000
Payables to employees	920,453	1,395,460
Deferred fees for customer accounts maintenance	246,740	290,219
Taxes payable, other than income tax	182,605	146,066
Provisions for guarantees and other commitments	128,539	131,099
Deferred fees for credit operations	123,382	120,941
Liabilities on payments to the deposit insurance fund system	77,529	74,307
Leasing obligations	464	626
Other	175,116	645,871
Total other liabilities	**1,854,828**	**2,804,589**

As at 31 December 2013 and 2012, financial liabilities within other liabilities consist of payables to employees and provisions for guarantees and other commitments amount to RUR 1,048,992 thousand and RUR 1,526,559 thousand respectively.

31. SHARE CAPITAL AND SHARE PREMIUM

Issued share capital and share premium

The authorised, issued and outstanding share capital comprises 3,438,329 ordinary shares (2012: 3,438,329 ordinary shares). All shares have a nominal value of RUR 1,000.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the annual and general meetings of the Group.

The share capital that has been issued prior to 1 January 2003 was inflated in accordance with IAS 29 "Financial Reporting in Hyperinflatory Economics".

Dividends

Dividends payable are restricted to the maximum retained earnings of the Group, which are determined according to legislation of the Russian Federation. In accordance with the legislation of the Russian Federation, as at the reporting date, RUR 548,165 thousand reserves were available for distribution to common shareholders (2012: RUR 3,073,967 thousand). Reserves which were available for distribution for the purpose of IFRS recognised within retained earnings in the statement of financial position.

Express Volga Bank, a subsidiary of the Group, annualy declares dividends on non-voting preferred shares held by non-controling shareholders. The amount paid for 2013 was RUR 3,462 thousand (2012: RUR 383 thousand).

The Group's distributable reserves among shareholders are limited to the amount of its reserves as disclosed in its statutory accounts. Non-distributable reserves are represented by a reserve fund, which is created as required by the statutory regulations, in respect of general risks, including future losses and other unforeseen risks or contingencies. The reserve has been created in accordance with the Charter of the Group members that provide for the creation of a reserve for these purposes of not less than 5% of share capital reported in statutory books of each Group member.

32. RISK MANAGEMENT

Management of risk is fundamental to the business of banking and is an essential element of the Group's operations. The major risks faced by the Group are those related to market risk, credit risk, liquidity risk and operational risk. Market risk includes price, interest rate and currency risks.

Risk management policies and procedures

The Group's risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Strategic Committee of the Group has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Risk Department of the Group is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters. The Head of Risk Department of the Group is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the President of the Group.

Both external and internal risk factors are identified and managed throughout the Group's organisational structure. Particular attention is given to developing risk maps that are used to identify the full range of risk factors and serve as a basis for determining the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Group's income or the value of its portfolios. Market risks comprise currency risk, interest rate risk and other price risk. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

The Group manages its market risk by setting open position limits in relation to financial instrument, interest rate maturity and currency positions and stop-loss limits which are set by the Strategic Committee of the Group. The Treasury Department and the Financial Markets Department manage market risks within these limits and the Risk Department monitors that the limits are complied.

The management of interest rates risk, a component of market risk, by monitoring interest rate gap is supplemented by monitoring the sensitivity of the Group's net interest margin to various standard and non-standard interest rate scenarios.

Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect the Group's income or the value of its portfolios of financial instruments.

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements arise.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

An analysis of sensitivity of the Group's net profit for the period and equity to changes in interest rate repricing risk based on a simplified scenario of a 200 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2013 and 2012 is as follows:

	2013		2012	
	Net profit RUR'000	Equity RUR'000	Net profit RUR'000	Equity RUR'000
200 bp parallel fall	(431,132)	(431,132)	(411,654)	(411,654)
200 bp parallel rise	431,132	431,132	411,654	4116654

An analysis of sensitivity of the net profit for the period and equity as a result of changes in fair value of financial instruments at fair value though profit or loss and available-for-sale securities due to changes in the interest rates based on positions existing as at 31 December 2013 and 2012 and a simplified scenario of a 200 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2013		2012	
	Net profit RUR'000	Equity RUR'000	Net profit RUR'000	Equity RUR'000
200 bp parallel fall	3,001,942	3,001,942	2,723,428	2,723,428
200 bp parallel rise	(3,244,970)	(3,244,970)	(2,463,874)	(2,463,874)

Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. For further information on the Group's exposure to currency risk at year end refer to Note 42.

An analysis of sensitivity of the Group's net income for the year and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2013 and 2012 and a simplified scenario of a 20% change in USD and Euro to Russian ruble exchange rates is as follows:

	2013		2012	
	Net profit RUR'000	Equity RUR'000	Net profit RUR'000	Equity RUR'000
20% appreciation of USD against RUR	(125,816)	(125,816)	(24,305)	(24,305)
20% depreciation of USD against RUR	125,816	125,816	24,305	24,305
20% appreciation of EUR against RUR	(49,699)	(49,699)	(28,380)	(28,380)
20% depreciation of EUR against RUR	49,699	49,699	28,380	28,380

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when the Group takes a long or short position in a financial instrument.

An analysis of sensitivity of the Group's net income for the year and equity to changes in equity securities prices based on positions existing as at 31 December 2013 and 2012 and a simplified scenario of a 10% change in all securities prices is as follows:

	2013		2012	
	Net profit RUR'000	Equity RUR'000	Net profit RUR'000	Equity RUR'000
10% increase in securities prices	1,097,196	1,097,196	913,882	913,952
10% decrease in securities prices	(1,097,196)	(1,097,196)	(913,882)	(913,952)

Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group. The Group has developed policies and procedures for the management of credit exposures (both for on balance sheet and off balance sheet exposures), including guidelines to limit portfolio concentration and the establishment of the Risk Management Division, which actively monitors the Group's credit risk. The Group's credit policy is reviewed and approved by the Strategic Committee.

The Group's credit policy establishes:

- Procedures for review and approval of loan/credit applications;
- Methodology for the credit assessment of borrowers (corporate, SME and retail);
- Methodology for the credit assessment of counterparties, issuers and insurance companies;
- Methodology for the evaluation of collateral;
- Credit documentation requirements;
- Procedures for the ongoing monitoring of loans and other credit exposures.

Corporate loan/credit applications are originated by the relevant client managers and are then passed on to the Loan Department, which is responsible for the Group's corporate loan portfolio. Reports produced by the department's credit analysts are based on a structured analysis focusing on the customer's business and financial performance. The loan/credit application and the report are then independently reviewed by the Risk Department's Credit Risk Management Division and a second opinion is given accompanied by a check that credit policy requirements have been met. The Risk Management Division reviews the loan/credit application on the basis of submissions by the Loan Department. Individual transactions are also reviewed by the Group's Legal, Accounting and Tax departments depending on the specific risks and pending final approval of the Risk Management Division.

The Group continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Group. The current market value of collateral is regularly assessed by either independent appraisal companies or the Group's specialists, and in the event of negative movements in market prices the borrower is usually requested to pledge additional security.

Retail loan/credit applications are reviewed by experienced loan officers who complete personal interviews with the applicants. Scoring systems support but do not define credit decisions. Key element of risk management is the loan officer's judgement on the ability and willingness of the customers to repay the loans.

Apart from individual customer analysis, the whole credit portfolio is assessed by the Risk Department with regard to credit concentration and market risks.

The Group's maximum exposure to on balance sheet credit risk is generally reflected in the carrying amounts of financial assets on the balance sheet. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The Group monitors concentrations of credit risk by industry/sector and by geographic location. For the analysis of concentration of credit risk in respect of loans and advances to customers refer to Note 17 "Loans to customers".

Maximum Exposure

The Groups maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of financial assets and contingent liabilities. For financial assets the maximum exposure equals to a carrying value of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on. In the table below equity securitites were excluded as they are considered not to bear credit risk.

	31 December 2013				
	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral pledged**	**Net exposure**
Due from the Central Bank of the Russian Federation	5,082,347	-	5,082,347	-	5,082,347
Mandatory cash balances with the Central Bank of the Russian Federation	1,268,350	-	1,268,350	-	1,268,350
Placements with banks and other financial institutions	19,605,045	-	19,605,045	-	19,605,045
Financial assets at fair value through profit or loss	39,289,721	-	39,289,721	-	39,289,721
Amount receivable under reverse repurchase agreements	6,440	-	6,440	-	6,440
Loans to customers	59,539,207	59,211	59,479,996	17,394,988	42,084,998
Held-to-maturity investments	1,498,474	-	1,498,474	-	1,498,474
Other financial assets	128,924	-	128,924	-	128,924
Guarantees issued and similar commitments	12,924,271	-	12,924,271	-	12,924,271
Letters of credit and other contingencies	1,217,910	-	1,217,910	280,392	937,518
Unused loan commitments	3,494,113	-	3,494,113	-	3,494,113

	31 December 2012				
	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure
Due from the Central Bank of the Russian Federation	22,096,317	-	22,096,317	-	22,096,317
Mandatory cash balances with the Central Bank of the Russian Federation	1,489,138	-	1,489,138	-	1,489,138
Placements with banks and other financial institutions	14,574,770	-	14,574,770	-	14,574,770
Financial assets at fair value through profit or loss	22,807,709	-	22,807,709	-	22,807,709
Loans to customers	67,164,395	609,861	66,554,534	19,299,103	47,255,431
Other financial assets	191,035	-	191,035	-	191,035
Guarantees issued and similar commitments	28,490,386	-	28,490,386	-	28,490,386
Letters of credit and other contingencies	3,749,142	-	3,749,142	125,433	3,623,709
Unused loan commitments	5,319,170	-	5,319,170	-	5,319,170

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

The following table details the credit ratings of unimpaired financial assets(*), excluding loans to customers, held by the Group. In the table below equity securitites were excluded as they are considered not to bear credit risk.

	AAA	AA	A	BBB	<BBB	Not rated	31 December 2013 Total
Due from the Central Bank of the Russian Federation	-	-	-	5,082,347	-	-	5,082,347
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	1,268,350	-	-	1,268,350
Placements with banks and other financial institutions	-	2,002,685	1,800,725	3,409,401	73,120	12,319,114	19,605,045
Financial assets at fair value through profit or loss	1,707,001	1,308,953	-	35,815,675	1,267	456,825	39,289,721
Amount receivable under reverse repurchase agreements	-	-	-	6,440	-	-	6,440
Loans to customers	-	-	-	-	-	59,539,207	59,539,207
Held-to-maturity investments	-	-	-	1,498,474	-	-	1,498,474
Other financial assets	-	-	-	-	-	128,924	128,924

	AAA	AA	A	BBB	<BBB	Not rated	31 December 2012 Total
Due from the Central Bank of the Russian Federation	-	-	-	22,096,317	-	-	22,096,317
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	1,489,138	-	-	1,489,138
Placements with banks and other financial institutions	-	2,759,744	2,152,405	2,898,654	1,600	6,762,367	14,574,770
Financial assets at fair value through profit or loss	622,463	-	219,834	21,607,425	357,987	-	22,807,709
Loans to customers	-	-	-	-	-	67,164,365	67,164,365
Other financial assets	-	-	-	-	-	191,035	191,035

(*)The above unimpaired financial assets are classified based on the information provided by the international credit rating agencies – "Moody's", "Fitch", "Standard & Poor's".

The following table provides an analysis Placements with banks and other financial institutions that are not rated. The Group classified such palcements in two categories according to internal ratings assigned to financial institutions:

- The "S – Standard" category with low credit risk includes palcements with no past due status that are granted to financial institutions that have perfect credit history with the Group and other creditors; that proved to be profitable and well performing businesses with no signs of decline of their financial sustainability;
- The "O- overdue" category includes Placements with banks and other financial institutions that are overdue and with bad financial performance.

Not rated placements with banks and other financial institutions	2013 RUR'000	2012 RUR'000
Standard	12,319,114	6,762,367
Overdue	-	-
	12,319,114	**6,762,367**

The following table provides an analysis of loans to corporate customers that are classified in three categories according to internal ratings assigned to borrowers:

- The "N – Normal" category with low credit risk includes loans with no past due status that are granted to borrowers that have perfect credit history with the Group and other creditors; that proved to be profitable and well performing businesses with no signs of decline of their financial sustainability;
- The "W – watch list" category with temperate credit risk includes loans with no past due status that are granted to borrowers with good credit history with the Group and other creditors with minor exceptions in the past; that proved to be well performing businesses in the past but average financial performance at the moment;
- The "P – poor" category includes loans that are not overdue but with bad financial performance at the moment and loans that are overdue.

	N (Normal)	W (Watch list)	P (Poor)	Total 31 December 2013
Loan to legal entities and financing receivables	17,923,120	2,191,993	4,627,068	**24,742,181**
Provision for impairment	(207,033)	(26,185)	(3,318,529)	**(3,551,747)**
Total loans to corporates	**17,716,087**	**2,165,808**	**1,308,539**	**21,190,434**

	N (Normal)	W (Watch list)	P (Poor)	Total 31 December 2012
Loan to legal entities and financing receivables	22,085,919	1,990,559	4,037,278	**28,113,756**
Provision for impairment	(300,684)	(75,805)	(2,683,958)	**(3,060,447)**
Total loans to corporates	**21,758,949**	**1,982,250**	**1,312,109**	**25,053,308**

The following table provides an analysis of loans to individuals that are classified in six categories according to internal ratings assigned to borrowers:

- "Not past due" category with low credit risk includes loans with no past due status that are granted to individuals that have perfect credit history with the Group.
- Overdue 1-5 days, Overdue 5-35 days, Overdue 35-65 days, and Overdue more than 65 days categories includes loans that are overdue during appropriate days.
- Recovered category with high credit risk which was overdue more than 65 days, however borrowers started repayment of overdue debts and made two last regular payments without delay.

Credit quality of the loans to individuals

	Gross loans	Provision for impairment	Net loans 31 December 2013
Not past due	34,314,039	(227,749)	34,086,290
Overdue 1-5 days	502,223	(69,712)	432,511
Overdue 5-35 days	1,228,868	(193,841)	1,035,027
Overdue 35-65 days	739,184	(288,540)	450,644
Recovered	2,130,657	(939,182)	1,191,475
Overdue more than 65 days	4,007,308	(2,854,482)	1,152,826
Total retail loans	**42,922,279**	**(4,573,506)**	**38,348,773**

	Gross loans	Provision for impairment	Net loans 31 December 2012
Not past due	39,882,722	(133,750)	39,748,972
Overdue 1-5 days	211,329	(21,336)	189,993
Overdue 5-35 days	816,129	(102,181)	713,948
Overdue 35-65 days	503,889	(128,066)	375,823
Recovered	2,542,084	(1,886,377)	655,707
Overdue more than 65 days	1,424,718	(998,075)	426,643
Total retail loans	**45,380,871**	**(3,269,785)**	**42,111,086**

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet its commitments. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of financial institutions, including the Group. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The Group's liquidity policy is reviewed and approved by the Strategic Committee.

The Group seeks to actively support a diversified and stable funding base comprising debt securities in issue, long-term and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy of the Group requires:

- Projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- Maintaining a diverse range of funding sources;
- Managing the concentration and profile of debts;
- Maintaining debt financing plans;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- Maintaining liquidity and funding contingency plans;
- Monitoring liquidity ratios against regulatory requirements.

The Treasury Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department. Under normal market conditions, liquidity reports covering the liquidity position of the Group are presented to senior management on a weekly basis. Decisions on the Group's liquidity management are made by Treasury Department within standards and rules set by the Strategic Committee of the Group.

The Group also calculates mandatory liquidity ratios on a daily basis in accordance with the requirement of the CBRF. The Group was in compliance with these ratios as at 31 December 2013 and 2012.

The following tables show the undiscounted cash flows on the Group's financial liabilities and unrecognized loan commitments on the basis of their earliest possible contractual maturity. The total gross amount (inflow)/outflow disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment. The Group's expected cash flows on these financial liabilities and unrecognized loan commitments may vary significantly from this analysis.

The gross undiscounted cash flows of the Group as at 31 December 2013 were as follows:

RUR'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	1 year to 3 years	Over 3 years	Total gross amount outflow	Carrying amount
Liabilities								
Financial liabilities at fair value through profit or loss	1,374,568	-	-	-	-	-	1,374,568	1,374,568
Deposits and balances from banks and other financial institutions	3,576,117	2,291,032	739,594	1,554,595	120,361	56,767	8,338,466	8,119,059
Amounts payable under repurchase agreements	1,883,065	-	-	-	-	-	1,883,065	1,883,065
Current accounts and deposits from customers	32,565,253	8,526,404	12,897,270	24,667,365	39,191,563	10,582	117,858,437	110,582,224
Debt securities issued	955,251	417,387	899,949	1,369,663	2,714,637	138	6,357,025	5,506,989
Other borrowed funds	1,235	194,420	360,563	104,876	1,220,526	-	1,881,620	1,785,462
Subordinated debt	14,467	28,934	43,401	196,948	316,193	3,024,617	3,624,560	2,361,404
Other liabilities	158,464	271,387	-	1,108,633	5,200	-	1,543,684	1,543,684
Total	40,528,420	11,729,564	14,940,777	29,002,080	43,568,480	3,092,104	142,861,425	133,467,599
Credit related commitments	**1,555,546**	**1,061,115**	**190,369**	**225,273**	**155,323**	**306,487**	**3,494,113**	**3,494,113**

The gross undiscounted cash flows of the Group as at 31 December 2012 were as follows:

RUR'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	1 year to 3 years	Over 3 years	Total gross amount outflow	Carrying amount
Liabilities								
Financial liabilities at fair value through profit or loss	22,106	-	-	-	-	-	22,106	22,106
Deposits and balances from banks and other financial institutions	2,765,419	2,358,623	763,731	1,967,575	1,853,415	12,506	9,721,269	8,518,421
Amounts payable under repurchase agreements	3,529,814	-	-	-	-	-	3,529,814	3,529,814
Current accounts and deposits from customers	29,895,189	3,791,602	5,638,950	25,686,258	60,933,387	5,467	125,950,853	117,327,584
Debt securities issued	2,468,963	1,526,367	1,559,537	1,676,747	2,921,503	2,674,388	12,827,505	7,852,875
Other borrowed funds		-	304,724	300,566	820,828	920,440	2,346,558	2,120,851
Subordinated debt	12,390	24,780	37,171	327,826	376,927	2,653,559	3,432,653	2,227,444
Current income tax liability	-	100,226	-	-	-	-	100,226	100,226
Other liabilities	211,818	362,340	-	2,223,809	6,622	-	2,804,589	2,804,589
Total	38,905,699	8,163,938	8,304,113	32,182,781	66,912,682	6,266,360	160,735,573	144,503,910
Credit related commitments	**2,412,642**	**2,435,426**	**94,958**	**135,273**	**96,273**	**144,598**	**5,319,170**	**5,319,170**

The previous tables show the undiscounted cash flows on the Group's non-derivative financial liabilities, including issued credit realted commitments on the basis of their earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. The Group's expected cash flows on these instruments vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance and unrecognised loan commitments are not all expected to be drawn down immediately.

Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes.

33. CAPITAL MANAGEMENT

The CBRF sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the CBRF, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 31 December 2013 and 2012, this minimum level is 10%. The Bank is in compliance with the statutory capital ratio during the years ended 31 December 2013 and 2012.

The Group also monitors its capital adequacy levels calculated in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2007), commonly known as Basel I.

The following table shows the composition of the capital position calculated in accordance with the requirements of the Basel Accord, as at 31 December 2013 and 2012:

	2013 RUR'000	2012 RUR'000
Tier 1 capital		
Share capital	4,417,399	4,417,399
Share premium	1,237,031	1,237,031
Retained earnings	10,253,091	7,996,849
Minority interest	73,724	78,826
Goodwill	(252,676)	(252,676)
Total tier 1 capital	**15,728,569**	**13,477,429**
Tier 2 capital		
Revaluation reserve for property and equipment	855,001	728,217
Revaluation reserve of available-for-sale securities	(617)	(977)
Additional paid-in capital	521,580	592,200
Subordinated debt and subordinated loan participation notes	3,043,417	3,009,881
Total tier 2 capital	**4,419,381**	**4,329,321**
Total capital	**20,147,950**	**17,806,750**
Risk-weighted assets	**164,888,439**	**173,798,647**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	**12.22%**	**10.25%**
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio)	**9.54%**	**7.75%**

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The Basel Accord recommends that the minimum capital adequacy of 8% for total capital and 4% for Tier 1 for risk-weighted assets be exceeded. As at 31 December 2013 and 2012, the Group complied with Basel capital requirements.

34. COMMITMENTS

The Group has outstanding commitments to extend loans. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Group also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

As at 31 December 2013 and 2012, the nominal or contract amounts and risk-weighted amounts were:

	31 December 2013		31 December 2012	
	Nominal amount	Risk-weighted amount	Nominal amount	Risk-weighted amount
Contingent liabilities and credit commitments				
Guarantees issued and similar commitments	12,924,271	12,651,696	28,490,386	27,774,166
Letters of credit and other contingencies	1,217,910	937,518	3,749,142	3,623,709
Unused loan commitments	3,494,113	3,494,113	5,319,170	5,319,170
Total contingent liabilities and credit commitments	**17,636,294**	**17,083,327**	**37,558,698**	**36,717,045**

The total outstanding contractual commitments above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

As at 31 December 2013 and 2012, the Group had no capital commitments and operating lease commitments.

35. CONTINGENCIES

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

Taxation

Commercial legislation of the RF and countries where the Group operates, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments, valuation of provision for impairment losses and the market pricing of deals. Additionally such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit. The management of the Group believes that it has accrued all tax amounts due and therefore no allowance has been made in the consolidated financial statements.

Operating environment

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russia produces and exports large volumes of oil and gas, Russia's economy is particularly sensitive to the price of oil and gas on the world market that fluctuated significantly during 2013 and 2012.

In March 2014, sanctions have been imposed by the U.S. and E.U. on certain Russian officials, businessmen and companies. These official actions, particularly if further extended, may result in reduced access of the Russian businesses to international capital and export markets, capital flight, weakening of the Ruble and other negative economic consequences. The impact of these developments on future operations and financial position of the Group is at this stage difficult to determine.

36. CUSTODY ACTIVITIES

The Group provides custody services to its customers, whereby it holds securities on behalf of customers and receives fee income for providing these services. These securities are not assets of the Group and are not recognised in the consolidated statement of financial position. As at 31 December 2013 and 2012, the Group has customer securities amounting to 3,713,610,219 items and 2,448,966,378 items respectively in its nominal holder accounts.

37. RELATED PARTY TRANSACTIONS

Control relationships

The ultimate shareholders of the Group are disclosed in Note 1.

Transactions with key management personnel

Total remuneration included in personnel expenses (refer to Note 13):

	2013 RUR'000	2012 RUR'000
Total remuneration	555,689	566,614

The outstanding balances and average interest rates as of 31 December for transactions with key management personnel are as follows:

	2013 RUR'000	Average interest rate, %	2012 RUR'000	Average interest rate, %
Consolidated statement of financial position				
ASSETS				
Loans to customers	88,618	13.59%	95,953	14.29%
Provision for impairment	(7,181)	-	(1,404)	-
Off balance sheet guarantees	1,473	-	1,367	-
LIABILITIES				
Current accounts and deposits from customers	240,962	4.47%	242,687	5.16%

Amounts included in the statement of profit or loss and other comprehensive income in relation to transactions with key management personnel for the year ended 31 December 2013 and 2012 are as follows:

The statement of profit or loss and other comprehensive income	2013 RUR'000	2012 RUR'000
Interest income	13,036	12,416
Interest expense	(21,179)	(10,506)
Fee and commission income	69	35
Impairment losses	(5,778)	(266)

Transactions with other related parties

Other related parties include associates, companies under common control and entities with significant influence over the Group. The outstanding balances and the related average interest rates as of 31 December 2013 and related profit or loss amounts of transactions for the year ended 31 December 2013 with other related parties are as follows.

	Entities with significant influence over the Group		Associates and companies under common control		
	RUR'000	Average interest rate	RUR'000	Average interest rate	Total RUR'000
Consolidated statement of financial position					
ASSETS					
Loans to customers					
Principal balance with interest	-	-	253,725	10.00%	253,725
Provision for impairment	-	-	(65,826)	-	(65,826)
LIABILITIES					
Current accounts and deposits from customers	48,460	8.37%	9,819	6.08%	58,278
Profit or loss					
Interest income	-	-	3,537	-	3,537
Interest expense	5,684	-	207	-	5,891
Fee and commission income	12	-	79	-	91
Impairment losses	-	-	(65,154)	-	(65,154)

The outstanding balances and the related average interest rates as of 31 December 2012 and related profit or loss amounts of transactions for the year ended 31 December 2012 with other related parties are as follows.

	Entities with significant influence over the Group		Associates and companies under common control		
	RUR'000	Average interest rate	RUR'000	Average interest rate	Total RUR'000
Consolidated statement of financial position					
ASSETS					
Loans to customers					
Principal balance with interest	-	-	40,602	10.37%	40,602
Provision for impairment	-	-	(672)	-	(672)
LIABILITIES					
Current accounts and deposits from customers	73,662	8.81%	5,662	-	79,324
Profit or loss					
Interest income	52	-	3,317	-	3,369
Interest expense	3,518	-	399	-	3,917
Fee and commission income	24	-	130	-	154
Impairment losses	-	-	(653)	-	(653)

38. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the financial year as shown in the consolidated statement of cash flows are composed of the following items:

	2013 RUR'000	2012 RUR'000
Cash	6,267,061	5,629,192
Due from the Central Bank of the Russian Federation – nostro accounts	5,082,347	22,096,317
Placements with OECD banks with original maturity within 3 month	1,317,574	1,532,593
Nostro accounts of OECD banks	3,276,978	2,307,112
Placements with Banks of the Russian Federation with initial maturity within 3 month	1,959,258	1,371,917
Nostro accounts with Banks of the Russian Federation	11,414,514	7,838,369
Cash equivalents of discontinued operations classified as held for sale	8,383,583	4,835,454
	37,701,315	**45,610,954**

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values of cash, mandatory cash balances with the CBRF, and placements with banks and other financial institutions are their carrying values.

The estimated fair value of financial instruments at fair value through profit or loss and quoted available-for-sale securities are based on quoted market prices at the reporting date without any deduction for transaction costs.

The estimated fair values of all other financial assets and liabilities are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the reporting date.

Valuation techniques

The Group uses a number of methodologies to determine the fair values of financial instruments for which observable prices in active markets for identical instruments are not available. These techniques include: relative value methodologies based on observable prices for similar instruments; present value approaches where future cash flows from the asset or liability are estimated and then discounted using a risk-adjusted interest rate.

The principal inputs to these valuation techniques are listed below. Values between and beyond available data points are obtained by interpolation and extrapolation. When utilising valuation techniques, the fair value can be significantly affected by the choice of valuation model and by underlying assumptions concerning factors such as the amounts and timing of cash flows, discount rates and credit risk.

Bond prices – quoted prices are generally available for government bonds, certain corporate securities and some mortgage-related products.

Interest rates – these are principally benchmark interest rates or internal Bank rates effective as at reporting date and quoted interest rates in the swap, bond and futures markets.

Foreign currency exchange rates – there are observable markets both for spot and forward contracts and futures in the world's major currencies.

Equity and equity index prices – quoted prices are generally readily available for equity shares listed on the world's major stock exchanges and for major indices on such shares.

Commodity prices – many commodities are actively traded in spot and forward contracts and futures on exchanges in London, New York and other commercial centres.

In order to determine a reliable fair value, where appropriate, management applies valuation adjustments to the pricing information gathered from the above sources. Furthermore, on an ongoing basis, the Group assesses the appropriateness of any model used.

Financial assets and liabilities

The following methods and significant assumptions have been applied to estimate the fair values of following financial instruments:

Cash and balances with the CBRF and minimum reserve deposit with the CBRF, due to the short-term environment and availability restrictions of these types of assets, the carrying amount is assumed to be reasonable estimate of their fair value.

The estimated fair value of quoted trading securities and derivative financial instruments, comprising financial assets at fair value through profit or loss category, is determined based on quoted active market prices at the reporting date.

The fair value of loans and advanced to banks and loans to customers for loans provided during the period of one month to the reporting date is assumed to be fair value amount for them. The fair value of the other loans is estimated by application of market interest rates when the loans were originated with the year-end market rates offered on similar deposits with the deduction of the allowances for credit losses from the calculated fair value amounts. The estimated fair value of promissory notes and bonds comprising investments available-for-sale category is determined based on the quoted market prices. Investments in equity instruments, which do not have quoted market prices in an active market are measured at cost, as their fair value can not be measured reliably.

Other financial assets and liabilities is mainly represented by short-term receivables and payables, therefore the carrying amount is assumed to be reasonable estimate of their fair value.

The fair value of term deposits (included in customer accounts and deposits from banks) for term deposits placed during the period of one month to the reporting date is assumed to be fair value amount for them. The fair value of the other term deposits is estimated by application of market interest rates when the deposits were placed with the year-end market rates offered on similar deposits. The carrying amount of current customer accounts is assumed to be reasonable estimate of their fair value due to the short-term environment and availability requirements of these types of liability.

The fair value of issued bonds, Eurobonds, promissory notes and subordinated liabilities is based on quoted prices. Where these are not available, fair value is based on expected cash flows discounted using market interest rates for similar securities or funds whose market rates are quoted.

The valuation techniques have been consistently applied by the Group across the years.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

The Management of the Group believes fair values of all financial instruments, except as described below, approximate their carrying values.

	2013 RUR'000 Carring value	2013 RUR'000 Fair value	2012 RUR'000 Carrying value	2012 RUR'000 Fair value
ASSETS				
Loans to customers	59,539,207	57,895,552	67,164,395	67,433,515
Held-to-maturiy investments	1,498,474	1,488,379	-	-
LIABILITIES				
Deposits and balances from banks and other financial institutions	8,119,059	8,096,633	8,518,421	8,267,762
Current accounts and deposits from customers	110,582,224	110,933,989	117,327,584	117,135,498
Debt securities issued	5,506,989	5,501,336	7,852,875	7,818,474
Other borrowed funds	1,785,462	1,758,160	2,120,851	2,149,905
Subordinated debt	2,361,404	2,329,757	2,227,444	2,197,013

	Level 1	Level 2	Level 3	31 December 2013 Total
ASSETS				
Loans to customers	-	57,895,552	-	**57,895,552**
Held-to-maturiy investments	1,488,379	-	-	**1,488,379**
LIABILITIES				
Deposits and balances from banks and other financial institutions	-	8,096,633	-	**8,096,633**
Current accounts and deposits from customers	-	110,933,989	-	**110,933,989**
Debt securities issued	-	5,501,336	-	**5,501,336**
Other borrowed funds	-	1,758,160	-	**1,758,160**
Subordinated debt	-	2,329,757	-	**2,329,757**

The fair values of the financial assets and financial liabilities included in the level 2 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Valuation hierarchy

The tables below show the financial instruments carried at fair value by hierarchy – level 1, level 2 and level 3. The valuation techniques, main assumptions used in the valuation of these instruments and reasonably possible increases or decreases in fair value based on reasonably possible alternative assumptions for level 3 financial instruments are set out below.

Quoted prices in an active market (Level 1): Valuations based on quoted prices in active markets that the Group has the ability to access for identical assets or liabilities. Valuation adjustments and block discounts are not applied to these financial instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuations of these products does not entail a significant amount of judgment.

Valuation techniques using observable inputs (Level 2) – Valuations based on inputs for which all significant inputs are observable, either directly or indirectly and valuations based on one or more observable quoted prices for orderly transactions in markets that are not considered active.

Valuation techniques incorporating information other than observable market data (Level 3) – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

There were no significant transfers to or from Level 1, Level 2 or Level 3 of the fair value hierarchy during the period.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

	Fair value as at					
	December 31, 2013	**December 31, 2012**	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
Financial assets						
1) Financial instruments at fair value through profit or loss (see Note 16)	40,418,105	25,977,577	Level 1	Quoted bid prices in an active market.	N/A	N/A
2) Financial instruments at fair value through profit or loss (see Note 16)	209,872	42,673	Level 2	Quoted bid prices in an active market and foreign currency exchange rates	N/A	N/A
Financial liabilities						
3) Financial instruments at fair value through profit or loss (see Note 16)	1,311,503	-	Level 1	Quoted bid prices in an active market.	N/A	N/A
4) Financial instruments at fair value through profit or loss (see Note 16)	63,065	22,106	Level 2	Quoted bid prices in an active market and foreign currency exchange rates	N/A	N/A

The Group does not have any financial instruments for which fair value is based on valuation techniques involving the use of non-market observable inputs. The table above does not include available-for-sale securities, as those are carried at cost.

40. AVERAGE EFFECTIVE INTEREST RATES

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2013 and 2012. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

Interest bearing assets	Value RUR'000	2013 Average effective interest rate	Value RUR'000	2012 Average effective interest rate
Placements with banks and other financial institutions				
Loans and deposits				
- RUR	1,570,121	9.88%	1,099,636	9.09%
- USD	3,343,431	1.72%	3,326,211	2.03%
Financial instruments at fair value through profit or loss				
- RUR	24,519,427	7.40%	13,040,978	7.83%
- USD	14,560,422	6.95%	9,724,058	8.11%
Amounts receivable under reverse repurchase agreements				
- RUR	6,440	8.95%	-	-
Loans to customers				
- RUR	58,717,456	29.10%	65,864,513	28.81%
- USD	782,602	17.18%	1,143,834	13.42%
- other currencies	39,149	12.59%	156,048	11.66%
Held-to-maturity investments				
- RUR	1,498,474	6.97%	-	-
Interest bearing liabilities				
Deposits and balances from banks and other financial institutions				
Term deposits				
- RUR	5,779,389	9.56%	6,586,235	9.44%
- USD	828,441	3.36%	574,458	2.36%
- other currencies	450,703	4.77%	390,489	2.91%
Amounts payable under repurchase agreements				
- RUR	1,216,420	5.50%	3,529,814	5.90%
- USD	666,645	1.77%	-	-
Current accounts and deposits from customers				
Term deposits of legal entities				
- RUR	13,054,160	10.66%	12,800,191	9.86%
- USD	1,462,720	3.90%	3,035,031	5.36%
- other currencies	607,381	4.58%	781,215	5.72%
Term deposits of individuals				
- RUR	54,883,050	8.65%	60,055,362	8.85%
- USD	9,076,342	5.68%	8,632,638	6.08%
- other currencies	4,684,051	5.58%	4,886,659	6.07%
Debt securities issued				
- RUR	2,474,123	8.82%	2,888,014	8.06%
- USD	2,865,645	10.39%	2,531,469	10.73%
- other currencies	141,753	6.18%	296,045	5.78%
Other borrowed funds				
- RUR	-	-	523,315	19.50%
- EURO	1,721,530	4.37%	1,501,021	3.02%
- other currencies	63,932	5.25%	96,515	5,25%
Subordinated debt				
- RUR	495,839	8.41%	494,687	8.41%
- USD	1,865,565	7.13%	1,732,757	7.37%

41. MATURITY ANALYSIS

The following table show assets and liabilities of the Group by their remaining contractual maturity as at 31 December 2013, with the exception of financial instruments at fair value through profit or loss and available-for-sale securities, which are shown in the category "Less than 1 month or on demand" based on the fact that the Group's management believes that all of these trading securities could be liquidated within one month in the normal course of business.

ASSETS	Less than 1 month RUR'000	1 to 3 months RUR'000	3 to 6 months RUR'000	6 months to 1 year RUR'000	1 to 3 years RUR'000	More than 3 years RUR'000	No maturity RUR'000	Overdue RUR'000	Total RUR'000
Cash	6,267,061	-	-	-	-	-	-	-	6,267,061
Due from the Central Bank of the Russian Federation	5,082,347	-	-	-	-	-	-	-	5,082,347
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	-	-	1,268,350	-	1,268,350
Placements with banks and other financial institutions	15,640,659	2,327,665	-	1,636,721	-	-	-	-	19,605,045
Financial assets at fair value through profit or loss	40,627,977	-	-	-	-	-	-	-	40,627,977
Amounts receivable under reverse repurchase agreements	6,440	-	-	-	-	-	-	-	6,440
Loans to customers	7,288,409	10,393,723	5,671,411	7,034,108	15,791,544	7,196,238	-	6,163,774	59,539,207
Held-to-maturity investments	-	-	-	-	1,498,474	-	-	-	1,498,474
Available-for-sale securities	105,076	-	-	-	-	-	-	-	105,076
Property, equipment and intangible assets	-	-	-	-	-	-	4,431,803	-	4,431,803
Development property	-	-	-	-	-	2,650,974	-	-	2,650,974
Investment property	-	-	-	-	1,224,473	-	-	-	1,224,473
Goodwill	-	-	-	-	-	-	252,676	-	252,676
Current income tax asset	-	79,668	-	-	-	-	-	-	79,668
Deferred tax asset	-	-	-	-	1,181,406	-	-	-	1,181,406
Other assets	838,008	54,077	4,017	86,159	20,837	26,798	-	-	1,029,896
Assets of discontinued operations classified as held for sale	9,685,977	1,461,540	1,374,833	2,241,373	3,915,517	3,694,522	2,017,959	2,363,042	26,754,763
Total assets	**85,541,954**	**14,316,673**	**7,050,261**	**10,998,361**	**23,632,251**	**13,568,532**	**7,970,788**	**8,526,816**	**171,605,636**

LIABILITIES	Less than 1 month RUR'000	1 to 3 months RUR'000	3 to 6 months RUR'000	6 months to 1 year RUR'000	1 to 3 years RUR'000	More than 3 years RUR'000	No maturity RUR'000	Overdue RUR'000	Total RUR'000
Financial liabilities at fair value through profit or loss	1,374,568	-	-	-	-	-	-	-	1,374,568
Deposits and balances from banks and other financial institutions	3,530,332	2,231,496	698,617	1,506,828	100,386	51,400	-	-	8,119,059
Amounts payable under repurchase agreements	1,883,065	-	-	-	-	-	-	-	1,883,065
Current accounts and deposits from customers	32,158,409	7,594,563	11,679,569	22,564,504	36,576,051	9,128	-	-	110,582,224
Debt securities issued	530,817	378,371	801,687	1,132,013	2,664,047	54	-	-	5,506,989
Other borrowed funds	-	189,412	353,506	94,723	1,147,821	-	-	-	1,785,462
Subordinated debt	-	-	-	114,552	-	2,246,852	-	-	2,361,404
Other liabilities	158,464	271,387	-	1,419,777	5,200	-	-	-	1,854,828
Liabilities associated with assets of discontinued operations classified as held for sale	8,725,405	905,482	707,417	3,274,265	7,068,396	99,863	-	-	20,780,828
Total liabilities	48,361,060	11,570,711	14,240,796	30,106,662	47,561,901	2,407,297	-	-	154,248,427
Net position as at 31 December 2013	37,180,894	2,745,962	(7,190,535)	(19,108,301)	(23,929,650)	11,161,235	7,970,788	8,526,816	17,357,209
Net position as at 31 December 2012	34,361,062	9,028,495	2,669,832	(17,098,504)	(40,400,395)	13,499,937	7,802,149	5,186,969	15,049,545

The assets of discontinued operations classified as held for sale and liabilities associated with assets of discontinued operations classified as held for sale presented by their remaining contractual maturity as at 31 December 2013 and 2012. The sale of these assets and liabilities is expected to be completed in 2014 which would affect the timings of respective cash flows. Please see Note 23 for details.

The following table show assets and liabilities of the Group by their remaining contractual maturity as at 31 December 2012, with the exception of financial instruments at fair value through profit or loss and available-for-sale securities, which are shown in the category "Less than 1 month or on demand" based on the fact that the Group's management believes that all of these trading securities could be liquidated within one month in the normal course of business.

ASSETS	Less than 1 month RUR'000	1 to 3 months RUR'000	3 to 6 months RUR'000	6 months to 1 year RUR'000	1 to 3 years RUR'000	More than 3 years RUR'000	No maturity RUR'000	Overdue RUR'000	Total RUR'000
Cash	5,629,192	-	-	-	-	-	-	-	5,629,192
Due from the Central Bank of the Russian Federation	22,096,317	-	-	-	-	-	-	-	22,096,317
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	-	-	1,489,138	-	1,489,138
Placements with banks and other financial institutions	11,835,213	1,218,219	-	1,521,338	-	-	-	-	14,574,770
Financial assets at fair value through profit or loss	26,020,250	-	-	-	-	-	-	-	26,020,250
Loans to customers	6,860,360	12,969,383	7,153,710	8,956,313	19,620,266	8,658,090	-	2,946,273	67,164,395
Available-for-sale securities	-	-	101,779	-	-	-	-	-	101,779
Property, equipment and intangible assets	-	-	-	-	-	-	4,197,252	-	4,197,252
Development property	-	-	-	-	-	6,717,863	-	-	6,717,863
Investment property	-	-	-	-	2,648,867	-	-	-	2,648,867
Goodwill	-	-	-	-	-	-	252,676	-	252,676
Deferred tax asset	-	-	-	-	883,937	-	-	-	883,937
Other assets	974,690	96,631	1,942	36,135	21,845	18,552	27,278	1,100	1,178,173
Assets of discontinued operations classified as held for sale	7,848,959	1,622,398	1,790,854	3,053,601	4,435,372	2,886,080	1,835,805	2,239,596	25,712,665
Total assets	**81,264,981**	**15,906,631**	**9,048,285**	**13,567,387**	**27,610,287**	**18,280,585**	**7,802,149**	**5,186,969**	**178,667,274**

LIABILITIES	Less than 1 month RUR'000	1 to 3 months RUR'000	3 to 6 months RUR'000	6 months to 1 year RUR'000	1 to 3 years RUR'000	More than 3 years RUR'000	No maturity RUR'000	Overdue RUR'000	Total RUR'000
Financial liabilities at fair value through profit or loss	22,106	-	-	-	-	-	-	-	22,106
Deposits and balances from banks and other financial institutions	2,418,287	2,106,954	615,336	1,755,817	1,612,027	10,000	-	-	8,518,421
Amounts payable under repurchase agreements	3,529,814	-	-	-	-	-	-	-	3,529,814
Current accounts and deposits from customers	29,814,136	3,013,782	4,192,583	22,789,025	57,513,913	4,145	-	-	117,327,584
Debt securities issued	1,132,000	858,629	863,531	916,706	2,211,779	1,870,230	-	-	7,852,875
Other borrowed funds	-	-	254,893	268,424	750,067	847,467	-	-	2,120,851
Subordinated debt	-	-	-	244,064	106,304	1,877,076	-	-	2,227,444
Current income tax liability	-	100,226	-	-	-	-	-	-	100,226
Other liabilities	211,818	362,340		2,223,809	6,622	-	-	-	2,804,589
Liabilities associated with assets of discontinued operations classified as held for sale	9,775,758	436,205	452,110	2,468,046	5,809,970	171,730	-	-	19,113,819
Total liabilities	46,903,919	6,878,136	6,378,453	30,665,891	68,010,682	4,780,648	-	-	163,617,729
Net position as at 31 December 2012	**34,361,062**	**9,028,495**	**2,669,832**	**(17,098,504)**	**(40,400,395)**	**13,499,937**	**7,802,149**	**5,186,969**	**15,049,545**
Net position as at 31 December 2011	**24,541,325**	**(1,469,368)**	**(2,238,484)**	**(634,451)**	**(28,262,511)**	**9,917,487**	**7,489,437**	**3,117,889**	**12,461,324**

Due to the fact that substantially all the financial instruments are fixed rated contracts, these remaining contractual maturity dates also represent the contractual interest rate repricing dates.

The amounts in this table represent the carrying amounts of the assets and liabilities as at the reporting date and do not include future interest payments.

42. CURRENCY ANALYSIS

The following table shows the currency structure of assets and liabilities at 31 December 2013.

	RUR RUR'000	USD RUR'000	EUR RUR'000	Other currencies RUR'000	Total RUR'000
ASSETS					
Cash	4,219,633	1,043,774	996,265	7,389	6,267,061
Due from the Central Bank of the Russian Federation	5,082,347	-	-	-	5,082,347
Mandatory cash balances with the Central Bank of the Russian Federation	1,268,350	-	-	-	1,268,350
Placements with banks and other financial institutions	2,842,636	12,448,328	2,486,393	1,827,688	19,605,045
Financial assets at fair value through profit or loss	24,744,492	15,872,494	10,991	-	40,627,977
Amounts receivable under reverse repurchase agreements	6,440	-	-	-	6,440
Loans to customers	58,717,456	782,602	39,149	-	59,539,207
Held-to-maturity investments	1,498,474	-	-	-	1,498,474
Available-for-sale securities	105,076	-	-	-	105,076
Property, equipment and intangible assets	4,431,803	-	-	-	4,431,803
Development property	2,650,974	-	-	-	2,650,974
Investment property	1,224,473	-	-	-	1,224,473
Goodwill	252,676	-	-	-	252,676
Current income tax asset	79,668	-	-	-	79,668
Deferred tax asset	1,181,406	-	-	-	1,181,406
Other assets	1,001,946	5,026	22,601	323	1,029,896
Assets of discontinued operations classified as held for sale	25,351,015	1,100,821	291,483	11,444	26,754,763
Total assets	**134,658,865**	**31,253,045**	**3,846,882**	**1,846,844**	**171,605,636**
LIABILITIES					
Financial liabilities at fair value through profit or loss	1,371,316	3,118	134	-	1,374,568
Deposits and balances from banks and other financial institutions	6,209,100	1,401,336	508,456	167	8,119,059
Amounts payable under repurchase agreements	1,216,420	666,645	-	-	1,883,065
Current accounts and deposits from customers	93,132,900	11,499,256	5,939,885	10,183	110,582,224
Debt securities issued	2,496,732	2,868,504	141,753	-	5,506,989
Other borrowed funds	-	-	1,721,530	63,932	1,785,462
Subordinated debt	495,840	1,865,564	-	-	2,361,404
Other liabilities	1,851,554	3,197	77	-	1,854,828
Liabilities associated with assets of discontinued operations classified as held for sale	20,000,723	450,889	327,892	1,324	20,780,828
Total liabilities	**126,774,585**	**18,758,509**	**8,639,727**	**75,606**	**154,248,427**
Net on balance sheet position as at 31 December 2013	**7,884,280**	**12,494,536**	**(4,792,845)**	**1,771,238**	**17,357,209**
Net off balance sheet position as at 31 December 2013	**10,406,339**	**(13,280,888)**	**4,482,227**	**(1,607,678)**	**-**
Net on and off balance sheet positions as at 31 December 2013	**18,290,619**	**(786,352)**	**(310,618)**	**163,560**	**17,357,209**
Net on and off balance sheet positions as at 31 December 2012	**15,333,802**	**(151,904)**	**(177,378)**	**45,025**	**15,049,545**

The following table shows the currency structure of assets and liabilities at 31 December 2012.

	RUR RUR'000	USD RUR'000	EUR RUR'000	Other currencies RUR'000	Total RUR'000
ASSETS					
Cash	4,052,652	858,114	717,781	645	5,629,192
Due from the Central Bank of the Russian Federation	22,096,317	-	-	-	22,096,317
Mandatory cash balances with the Central Bank of the Russian Federation	1,489,138	-	-	-	1,489,138
Placements with banks and other financial institutions	1,934,221	9,813,192	852,441	1,974,916	14,574,770
Financial assets at fair value through profit or loss	14,821,021	11,198,937	292	-	26,020,250
Loans to customers	65,864,513	1,143,834	156,048	-	67,164,395
Available-for-sale securities	101,779	-	-	-	101,779
Property, equipment and intangible assets	4,197,252	-	-	-	4,197,252
Development property	6,717,863	-	-	-	6,717,863
Investment property	2,648,867	-	-	-	2,648,867
Goodwill	252,676	-	-	-	252,676
Deferred tax asset	883,937	-	-	-	883,937
Other assets	1,122,240	34,374	21,246	313	1,178,173
Assets of discontinued operations classified as held for sale	24,878,405	541,505	271,695	21,060	25,712,665
Total assets	**151,060,881**	**23,589,956**	**2,019,503**	**1,996,934**	**178,667,274**
LIABILITIES					
Financial liabilities at fair value through profit or loss	9,629	12,101	160	216	22,106
Deposits and balances from banks and other financial institutions	6,798,980	1,099,704	619,582	155	8,518,421
Amounts payable under repurchase agreements	3,529,814	-	-	-	3,529,814
Current accounts and deposits from customers	98,097,201	13,136,125	6,090,829	3,429	117,327,584
Debt securities issued	5,022,885	2,533,944	296,045	-	7,852,875
Other borrowed funds	523,315	-	1,501,021	96,515	2,120,851
Subordinated debt	494,688	1,732,756	-	-	2,227,444
Current income tax liability	100,226	-	-	-	100,226
Other liabilities	2,784,614	16,321	3,654	-	2,804,589
Liabilities associated with assets of discontinued operations classified as held for sale	18,213,969	542,603	356,134	1,113	19,113,819
Total liabilities	**135,575,321**	**19,073,554**	**8,867,426**	**101,428**	**163,617,729**
Net on balance sheet position as at 31 December 2012	**15,485,560**	**4,516,402**	**(6,847,923)**	**1,895,506**	**15,049,545**
Net off balance sheet position as at 31 December 2012	**(151,758)**	**(4,668,306)**	**6,670,545**	**(1,850,481)**	**-**
Net on and off balance sheet positions as at 31 December 2012	**15,333,802**	**(151,904)**	**(177,378)**	**45,025**	**15,049,545**
Net on and off balance sheet positions as at 31 December 2011	**13,309,516**	**(696,389)**	**(143,009)**	**(8,794)**	**12,461,324**

43. GEOGRAPHICAL CONCENTRATION

The following table shows the geographical concentration of assets and liabilities at 31 December 2013.

	Russia RUR'000	Non-OECD countries RUR'000	OECD countries RUR'000	31 December 2013 Total RUR'000
ASSETS				
Cash	6,267,061	-	-	6,267,061
Due from the Central Bank of the Russian Federation	5,082,347	-	-	5,082,347
Mandatory cash balances with the Central Bank of the Russian Federation	1,268,350	-	-	1,268,350
Placements with banks and other financial institutions	13,004,167	777	6,600,101	19,605,045
Financial assets at fair value through profit or loss	34,568,282	1,550,239	4,509,456	40,627,977
Amounts receivable under reverse repurchase agreements	6,440	-	-	6,440
Loans to customers	59,539,207	-	-	59,539,207
Held-to-maturity investments	1,498,474	-	-	1,498,474
Available-for-sale securities	105,076	-	-	105,076
Property, equipment and intangible assets	4,431,803	-	-	4,431,803
Development property	2,650,974	-	-	2,650,974
Investment property	1,224,473	-	-	1,224,473
Goodwill	252,676	-	-	252,676
Current income tax asset	79,668	-	-	79,668
Deferred tax asset	1,181,406	-	-	1,181,406
Other assets	1,029,896	-	-	1,029,896
Assets of discontinued operations classified as held for sale	26,754,763	-	-	26,754,763
TOTAL	**158,945,063**	**1,551,016**	**11,109,557**	**171,605,636**
LIABILITIES				
Financial liabilities at fair value through profit or loss	1,324,225	-	50,343	1,374,568
Deposits and balances from banks and other financial institutions	7,616,496	104,634	397,929	8,119,059
Amounts payable under repurchase agreements	1,883,065	-	-	1,883,065
Current accounts and deposits from customers	110,582,224	-	-	110,582,224
Debt securities issued	3,480,592	2,026,397	-	5,506,989
Other borrowed funds	-	-	1,785,462	1,785,462
Sudordinated debt	480,728	1,880,676	-	2,361,404
Other liabilities	1,854,828	-	-	1,854,828
Liabilities associated with assets of discontinued operations classified as held for sale	18,556,518	2,224,310	-	20,780,828
TOTAL FINANCIAL LIABILITIES	**145,778,676**	**6,236,017**	**2,233,725**	**154,248,427**
OPEN POSITION	**13,166,387**	**(4,685,001)**	**8,875,832**	

The following table shows the geographical concentration of assets and liabilities at 31 December 2012.

	Russia RUR'000	Non-OECD countries RUR'000	OECD countries RUR'000	31 December 2012 Total RUR'000
ASSETS				
Cash	5,629,192	-	-	5,629,192
Due from the Central Bank of the Russian Federation	22,096,317	-	-	22,096,317
Mandatory cash balances with the Central Bank of the Russian Federation	1,489,138	-	-	1,489,138
Placements with banks and other financial institutions	5,181,188	1,318	9,392,264	14,574,770
Financial assets at fair value through profit or loss	25,385,120	183,806	451,324	26,020,250
Loans to customers	67,164,395	-	-	67,164,395
Available-for-sale securities	101,779			101,779
Property, equipment and intangible assets	4,197,252	-	-	4,197,252
Development property	6,717,863	-	-	6,717,863
Investment property	2,648,867	-	-	2,648,867
Goodwill	252,676	-	-	252,676
Deferred tax asset	883,937	-	-	883,937
Other assets	1,178,173	-	-	1,178,173
Assets of discontinued operations classified as held for sale	25,712,665	-	-	25,712,665
TOTAL	**168,638,562**	**185,124**	**9,843,588**	**178,667,274**
LIABILITIES				
Financial liabilities at fair value through profit or loss	12,198	9,908	-	22,106
Deposits and balances from banks and other financial institutions	7,916,184	-	602,237	8,518,421
Amounts payable under repurchase agreements	3,529,814	-	-	3,529,814
Current accounts and deposits from customers	117,327,584	-	-	117,327,584
Debt securities issued				
Other borrowed funds	523,315	-	1,597,536	2,120,851
Sudordinated debt	555,664	183,087	1,488,693	2,227,444
Current income tax liability	100,226	-	-	100,226
Other liabilities	2,804,589	-	-	2,804,589
Liabilities associated with assets of discontinued operations classified as held for sale	19,113,819	-	-	19,113,819
TOTAL FINANCIAL LIABILITIES	**159,736,268**	**192,995**	**3,688,466**	**163,617,729**
OPEN POSITION	**8,902,294**	**(7,871)**	**6,155,122**	

44. EARNINGS PER SHARE

Earnings per share	**2013**	**2012**
From continuing and discontinued operations		
Basic and diluted (RUR)	625.49	723.64
From continuing operations		
Basic and diluted (RUR)	334.61	557.05

Basic and diluted earnings per share

The calculation of basic earnings per share as at 31 December 2013 is based on the profit attributable to ordinary shareholders of RUR 2,150,662 thousand (31 December 2012: RUR 2,488,112 thousand), and a weighted average number of ordinary shares outstanding of 3,438,329 (2012: 3,438,329) calculated as follows.

	2013 RUR'000	**2012 RUR'000**
Profit attributable to:		
Equity holders of the Bank	2,150,662	2,488,112
Non-controlling interest	50,969	19,132
Profit for the year	**2,201,631**	**2,507,244**

	2013	**2012**
Issued ordinary shares at 31 December	3,438,329	3,438,329
Weighted average number of ordinary shares for the year ended 31 December	**3,438,329**	**3,438,329**